



DETAILED AUDIT FINDINGS AND RECOMMENDATIONS FOR DISCUSSION AND ACTION WHERE REQUIRED

The vast majority of findings, recommendations and management responses included in this detailed report have been used to develop the main report together with information and documentation obtained by the Auditor General. It was felt that including this report as the main report did not highlight the Auditor General's implications and ramifications for TCIG and as such key issues were drawn out of this report to be highlighted in the Main Audit Report for 2013/14.

The report is intended to be used for improving and building on the strong laws implemented in 2012 and should not be used for any other purpose.

Note that only a basic quality review was done.

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Section 1

Revenue Summary

1.1 Overall Assessment of Revenue System

- The revenue system has over 120 revenue streams, with more than 115,000 individual receipts recorded in the 2013/2014 financial year totaling over \$200M. The amounts tested were 315 with a total value of approximately \$56M.
- The compliance process for the various revenue streams is administered by the government departments and embedded in their internal processes and procedures.
- All departments report that they have inadequate resources to carry out appropriate compliance activities.
- There is a significant amount of paperwork generated by the revenue streams; the information is not generally in a form that is easily accessible by the departments nor necessarily in a format that would facilitate compliance activities.
- The volume of paperwork results in filing and tracking of sensitive documents being difficult to administer.
- Data recorded in the SIGTAS system is not being used to trigger compliance reviews. For example, SIGTAS can be utilized to identify if an entity has submitted the expected number of periodical declarations such as hotel and restaurant tax filings.
- Those departments that use other databases do not interface with either SIGTAS or other departmental databases.
- There is no use of a user friendly, web based application to gather information from taxpayers which would reduce the amount of paperwork and enable better monitoring and compliance activities.
- There is very little cross fertilization of departmental information for compliance purposes and, in some cases, specific prohibitions between government departments and government statutory bodies to do so.
- There has been very little progress in meeting the EU mandate of simplifying doing business in the Islands.
- In general, the enforcement procedures are slow, inefficient and expensive to administer.

The difficulty for the collection of revenue is that there is a wide variety of fees and taxes that can be in some cases large in number but small in absolute terms. There are a variety of accounting officers involved in the collection of these revenues but because of the archaic procedures and processes which are time consuming and inefficient it leaves little time to devise a robust and comprehensive compliance strategy.

Even the smallest business now usually has a web portal to gather the information needed to provide the service usually incorporating an online payment service. The Turks & Caicos Government collects over \$200M in revenue, but with the exception of the ASYCUDA system for customs has no web based portal to gather information.

This is further aggravated by compliance being split over various departments each of which has resourcing issues, and information, which is effectively being “siloeed” in each department and statutory body.

It is possible that a business could have visits from 5 different compliance schemes in many cases asking for similar information. The reality is that the majority of businesses have no visits because there are simply not enough resources.

It is difficult to see how the present compliance approach as configured can be effective.

The detailed findings upon which these conclusions are drawn are set out in section 4 of this report.

NOTE THAT THE AUDITOR GENERAL REMOVED 3 FINDINGS IN RELATION TO 3 STATUTORY BODIES AND WOULD BE ADDRESSING THESE WHEN HE LAUNCHES SPECIFIC AUDITS THIS YEAR.

Section 2

Implications for the Financial Statements

The foregoing has implications for the financial statements in that there is a risk of material misstatement or fraud. It is on this basis that significant attention should be paid by those charged with governance and watchdog institutions, like the NAO, to ensure that any revenue is both appropriately recorded, but also that all revenues due to government are received.

In the recording of revenue received, the controls appear to be working. However, there is a risk that the TCIG may not be collecting all revenue to which it is legally due. It is estimated those revenues foregone due to the lack of enforcement (as a result of a lack of sufficient resources to marshal the enforcement and compliance efforts) could range between \$5 – 10 million, the difficulty in estimating the shortfall is because of the lack of information.

A strategic plan to address the shortfall and to ensure collection accrues to TCIG is recommended.

As a matter of urgency, Government should commit to an upgrade of the SIGTAS system that would allow the use of a web based application for the collection of information from taxpayers for the declaration and payment of government dues and fees. This would have the effect of:

- reducing substantially the amount of paper work, filing and taxpayer frustration;
- allowing access to valuable information to enhance policy decisions;
- speeding up the revenue gathering process; and
- providing data that can be used effectively in ensuring compliance and carrying out inspections.

Consideration should be given to setting up one department with the power to examine compliance in all revenue streams, other than customs duty and stamp duty payable on land, this would have the effect of:

- allowing all revenue streams to be examined at one time during compliance visits;
- increase significantly the number and effectiveness of compliance visits - the target should be one visit per year for every business licensed; and
- allow for the pooling and cross checking of information
- providing a significant deterrent to non-payers.

Consideration should also be given to the introduction of a Commissioner of Revenue with responsibility over all revenue branches with the powers as envisaged by the VAT Ordinance. This would include the use of civil penalties tailored to the amount of tax that is being evaded and would have the effect of:

- increasing the likelihood of compliance; and
- removing the difficulties of having to take the route of civil court proceedings.

Section 3

Scope and Approach

3.1 Background:

PricewaterhouseCoopers Ltd (“PwC”) was engaged by the Auditor General of the Turks and Caicos Islands National Audit Office to provide Internal Audit Services in respect of revenues as detailed in the approved Engagement Letter of July 23, 2014.

The procedures noted below were carried out in respect of the following Ministries/Departments which have been considered to be responsible for the significant revenue generating streams:

- Attorney General’s Chamber
- Ministry of Border Control and Labour
- Ministry of Finance
- Ministry of Environment and Home Affairs

In determining which revenue streams would be considered, it was noted that the revenues generated by the other Ministries/Departments represented less than 4.5% of total revenues for the 2013/2014 financial year and these were, therefore, excluded from testing.

3.2 Overview of the approach and other comments:

In accordance with the procedures agreed with the Auditor General, the following work was performed by PwC.

- i) Obtained and reviewed any official Government internal guidance manuals and other instructions relating to procedures over revenue recognition and processing and:
 - Considered of the sufficiency of such guidance;
 - If properly implemented, would these processes result in revenue transactions being fully captured and recorded; and
 - Would these processes ensure that entries are entered completely and accurately.

In relation to this matter, it was noted that the Ministries and Departments refer to guidance from the various Ordinances but that there is little other specific, internal guidance issued on accounting for revenues, compliance procedures etc. Each Ministry or Department has varying processes in place but these are not formalized or always effective. Accordingly, there would be benefits in issuing more formal guidance including streamlining of activities by implementing the best practices of each unit across all areas.

- ii) Obtained copies of any contracts which determine revenues such as those with the Ports Authority etc.:
- Reviewed the terms of these contracts to determine how revenues are generated ;
 - In detailed testing, where applicable, (see below), ensured that these terms are being followed and that revenues have been recognized/collected; and
 - Considered whether any activities are performed to ensure that the base data received from such entities is accurate and complete.
- iii) Meetings were organized with the Permanent Secretaries, Accounting Officers and key accounting personnel in the Treasury Office (see details in Appendix 1) during which the following discussions were held and procedures carried out:
- How payments are processed including consideration of how collections are allocated to the correct Ministry/Department;
 - Review of the implications of receipts issued not being under sequential numbering control, including whether there are any compensating controls;
 - Checking whether daily physical cash collections are properly reconciled to the receipts issued and to the amounts banked and subsequently reported by each Ministry;
 - Obtained further details of the actual processes and controls in place;
 - Assessed if these are in line with the formal guidance and, if not, whether other processes and controls are in place to ensure the complete and accurate recording of revenues;
 - Reviewed whether any checks are performed on entities and individuals to ensure that they are in compliance with the regulations, are submitting accurate reporting etc.;
 - Reviewed processes/penalties applied where an entity is not in compliance and how this is regularized.
- iv) Although revenues are recorded on a cash basis, we performed a high level assessment over controls and where identifiable apparent gaps in the reporting of taxes or fees by business entities.
- v) Performed standard walkthrough tests to determine whether the processes and controls were implemented as described. There are no particular matters to report.

In addition to the above procedures, the detailed revenue testing carried out was as follows:

- Cash reconciliations were reviewed to ensure that they were being performed for each working day, properly prepared and that receipts are banked on a timely basis.
- A detailed general ledger for the 2013/2014 financial year, containing all revenue transactions, was obtained and reconciled to the Annual Report.
- A sample of debit entries in the general ledger were targeted and it was ensured that the reasons for making the entries and the amounts recorded were properly supported.
- Individually significant transactions were targeted (the nature of “significant” having been determined in conjunction with the Auditor General) and traced to supporting documentation (declarations, official forms and payments), checking that the amount reported had been verified.
- The remaining revenue transactions were subject to standard non statistical testing with the sample selected being subject to the same procedures as the significant items targeted.
- A sample was also selected from source documents, across the various ministries, and traced to the general ledger.

Section 4

Revenue Detailed Findings & Recommendations

4.1 Cash Reconciliation and General Ledger

4.1.1 Cash reconciliation testing

25 days were selected randomly throughout the year and it was ensured that:

- A reconciliation of the daily receipts had been performed with SIGTAS and the amounts recorded were actually banked; and
- Any reconciling items were properly supported, explained and verified.

The details of the testing performed are included as Appendix 2, for which the following points were noted:

- Reconciliations have been performed on a timely basis;
- Out of the 25 days selected, reconciling items were identified on 3 of those days, all of which were supported and properly followed up;
- Where receipts are collected outside of Providenciales or Grand Turk, there may be a delay of a few days before these are deposited in the bank;
- For the sample selected, no cheques were returned subsequently;
- As identified in Appendix 2, some payments received by cheque took an unusually long time to clear. For example, there were receipts on March 3, 2014 which did not clear until March 25, 2014, a delay of 3 weeks.

Weakness Identified

Certain payments received by cheque took an unusually long time to be cleared

Rank	DEFICIENCY	Risk	Low						
<p>Criteria: Standard banking practice would mean that all cheques should be cleared locally within 3 to 4 days.</p> <p>Condition: As identified in Appendix 2, some payments received by cheque took an unusually long time to clear. For example, there were receipts on March 3, 2014 which did not clear until March 25, 2014, a delay of 3 weeks.</p> <p>Cause: Based on discussions with the Treasury staff, this seems to be due to delays in forwarding cheques received from certain islands to either Providenciales or Grand Turk for deposit.</p> <p>Effect or potential effect: The slow clearance of deposits could lead to manipulation of revenue and defalcation of deposits.</p>									
<p>Recommendation</p> <p>We recommend that the reasons for significant delays in the clearing of such cheques be identified and corrective action taken, if possible, to prevent recurrences in the future.</p>									
<p>Action Plan</p> <table><tr><th>Person Responsible</th><th>Accountant General</th><th>Estimated Completion Date</th></tr><tr><td colspan="3"><p>Management Response</p><p>xx</p></td></tr></table>				Person Responsible	Accountant General	Estimated Completion Date	<p>Management Response</p> <p>xx</p>		
Person Responsible	Accountant General	Estimated Completion Date							
<p>Management Response</p> <p>xx</p>									

4.1.2 Review of the detailed General Ledger

The detailed General Ledger for the 2013/2014 financial year was provided by Mr. Ahmed Jones of the Treasury Department and reconciled satisfactorily to the Annual Report.

4.1.3 Debit entries in the general ledger and year end cut off

All entries selected were fully supported and justified and are detailed in Appendix 3 for debit entries and Appendix 4 for year-end cut off.

<u>4.1.4 Summary of sample of transactions selected for verification</u>	From GL to source	From source to GL
General review of debit entries	33	-

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Targeted all revenue amounts > \$250,000	68	-
Tested randomly amounts between \$100,000 and \$249,999	10	-
Other transactions sampled	46	158
Total sampled	<u>157</u>	<u>158</u>

Represented by

<i>Debit entries</i>	33	-
<i>AG Chambers</i>	39	16
<i>Border Control and Labour</i>	1	22
<i>Finance</i>	83	115
<i>Environment</i>	1	5
	<u>157</u>	<u>158</u>

4.2 AG Chambers

4.2.1 The detailed testing sheets are attached as Appendices 5 and 6.

GL to source testing (Appendix 3)

Out of the 25 items selected, all amounts were supported except for:

- One file which could not be traced by the Land Registry (Appendix 2, sample number 14). A request has been made to continue searching for this file so that the data can be verified.

4.2.2 Source to GL testing (Appendix 6)

All 16 items selected were correctly calculated and recorded in the General Ledger.

4.2.3 Other matters

The Auditor General has requested that a number of no cost or low cost transactions be inspected. The supporting data is still outstanding from the Land Registry and will be inspected when available.

4.3. Border Control and Labour

Border control and labour are responsible for the following revenue streams:

Description	Metrics	Value	
Temporary Work Permits	890+ applications	(629,500.00)	
Overtime Cost recovered		(559,065.00)	Scoped out
Visas		(256,805.00)	Scoped out
Labour Clearance Fees	6000+ applications	(664,044.00)	
Work Permits and Residency Fees	6000+ applications	(13,321,269.50)	
Total		<u>(15,430,683.50)</u>	
Work Permits Repatriation Program		(1,130,285.00)	
Immigration Refunds		196,710.00	
Net Receipts		<u>(933,575.00)</u>	

The detailed testing sheets are attached as Appendices 7 and 8.

4.3.1 GL to source testing (Appendix 7)

The item selected was verified to supporting documentation.

4.3.2 Source to GL testing (Appendix 8)

Out of the 22 items selected, 3 of the files were incomplete (samples 5, 14 and 18). The paper work for these files may be held by Labour Clearance but this was not able to be verified.

4.3.3 Compliance/Completeness

The responsibility for ensuring that individuals working in the Turks & Caicos Islands are legal and have a valid work permit is the responsibility of the immigration department, the issuing of the work permits is the responsibility of the Employment Services and the Immigration Board.

From discussions with the head of Border Control the Immigration officers rely on intelligence to ensure that individuals who are working have a valid work permit. They also ensure that individuals arriving on the Islands to work have the appropriate documentation.

The NHIP also checks that individuals who sign up to the scheme have to have a work permit to register for health insurance.

However it is widely accepted that there are a percentage of undocumented workers who work without a valid work permit, either entering the country illegally or as a visitor or potentially not having their valid work permit renewed.

There have been very few prosecutions of employers for employing individuals without work permits presumably because the time consuming and expensive prosecution process.

Weaknesses Identified

No annual compliance checks of businesses to ensure compliance with the work permit regulations as set out in the Immigration Ordinance.

Rank	SIGNIFICANT DEFICIENCY	Risk	High			
<p>Criteria: The Immigration Ordinance requires a valid work permit for individuals to work in the Turks & Caicos Islands who are not a Turks & Caicos Islander, or a PRC holder with permission to work, a British Overseas Territory Citizen, as evidenced by a passport or naturalization certificate, or the spouse of a Turks and Caicos Islander as evidenced by a Residence Permit.</p> <p>Condition: It is possible for individuals to enter the country illegally or under false pretenses and work without a work permit in contravention of the immigration ordinance.</p> <p>Cause: The lack of a systematic compliance program and the fact that a limited number of employers are prosecuted for employing individuals without work permits means that there is little to discourage employers for avoiding the payment of work permit fees.</p> <p>Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in work permit fees and labour clearance fees.</p>						
<p>Recommendation</p> <p>Consideration should be given to an annual audit of all businesses to ensure compliance with the immigration ordinance, if this could be incorporated into an online application and annual returns process the audit could consist of an overview of the returns and comparison with other source data, such as HNIP and NIB and where deemed appropriate on site inspections.</p>						
<p>Action Plan</p> <table><tr><th>Person Responsible</th><th>Director of Immigration</th><th>Estimated Completion Date</th></tr></table>				Person Responsible	Director of Immigration	Estimated Completion Date
Person Responsible	Director of Immigration	Estimated Completion Date				
<p>Management Response</p> <p>This recommendation is accepted. The Ministry of Border Control and Labour is currently in the process of launching a database comprising of all private sector employers and persons requiring permission to work in the islands. Staff training is currently being conducted.</p>						

Deposits in respect of the Work Permit Repatriation Programme are recorded as revenue in the period in which they are received.

Rank	SIGNIFICANT DEFICIENCY	Risk	Medium
Criteria: Generally Accepted Accounting Principles would require that deposits are treated as a liability not income.			
Condition: When a Work Permit is surrendered at the end of a contract period, any refunds made to the employer are charged against revenue at that time. These amounts should not be recognized as revenue at the time of receipt, but held on the Balance Sheet as advances until such time as they are either utilized to pay for repatriation, refunded to the employer or can be released.			
Cause: Inappropriate coding to a revenue code			
Effect or potential effect: Income is overstated. The net amount of income taken to revenue in FY 14 was \$ 933,575.			
Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in work permit fees and labour clearance fees.			
Recommendation			
Work permit repatriation deposits should be treated as a liability.			
Action Plan			
Person Responsible	PS, Finance		Estimated Completion Date
Management Response			
xxx			

A significant amount of paperwork is produced over the life of each work permit application, for which there is inadequate, suitable filing space.

Rank	DEFICIENCY	Risk	Low
<p>Criteria: The appropriate filing of documents supporting the department's decisions and application of the immigration ordinance is required for both the operational efficiency of the department and for subsequent review by revenue compliance and external audit.</p> <p>Condition: Due to lack of filing cabinets and racks, boxes are piled randomly on top of each other, impeding the ability to find files easily and increasing the risk of losing data. The room used for filing is not fire-proofed and therefore, should a fire occur, all historical data would be lost. Although files are allocated reference numbers which are maintained in a log, it was noted that different files have been allocated with the same reference making it more difficult to trace data when it is required.</p> <p>Cause: The department is under resourced and the reliance on paper forms and the volume of forms required</p>			

plus the different authorities that use the files, labour department, immigration board and possibly the appeal board means that the files are constantly being moved.

Effect or potential effect: The potential that documents, that underlie the work permit application and the basis of the fees that government collect, could be lost or misplaced provides an opportunity for errors in the computation or collection of such fees.

Recommendation

Consideration to either applying more resources to the filing process or to adopting an online application system which would reduce the paper work and allow for more efficient and effective control of the process

Action Plan

Person Responsible	PS, Finance	Estimated Completion Date
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Management Response

xxx

Temporary work permits are being used as transitional steps to a full work permit.

Rank	DEFICIENCY	Risk	Low
<p>Criteria: Schedule 4 section 9 of the Immigration Ordinance states “No person who is the holder of a temporary work permit shall obtain a work permit until three months have elapsed”.</p> <p>Condition: The perceived delays in the processing of the labour clearance and the perceived requirement for the individual to be on Island to provide the necessary documentation for an application means that employers use the temporary work permit to ensure entry in to the Islands prior to applying a full the work permit.</p> <p>Cause: The present procedure of requiring the employer to identify the candidate before a labour clearance is issued means that there is a delay between the recruitment of a candidate and the application for a work permit. If the labour clearance was issued for a particular category of employment the recruitment of the employee could begin after a labour clearance is in hand and the necessary documentation for the approval of the work permit could be provided to the immigration board before the arrival of the employee.</p> <p>Effect or potential effect: The effect is that employers are applying for individuals in contravention of the laws and that if the delay continues beyond the 42 day limit on temporary work permits there could be a subsequent loss of work permit revenue. There is a small financial effect in that for work permits in excess of \$6,000 the \$700 prorated is less than the cost of the work permit.</p>			
<h4>Recommendation</h4> <p>Consideration should be given to issuing labour clearance for a particular position without reference to the specific individual and for a work permit process that allows all necessary information to be presented to the immigration board before entry to the Island. This would require the amendment of Schedule 4, Part A, Section 10(b) of the immigration ordinance.</p>			

Action Plan		
Person Responsible	Labour Commissioner	Estimated Completion Date
Management Response A labour clearance can only be issued after the employer has satisfied the Labour Commissioner that he/she has taken all the steps necessary to recruit locally. In this regard, the issuance of a labour clearance prior to identifying an employee would be in contravention of Schedule 4, Part A, Section 10 (b). Further, it would create a greater gap between the issuance of a labour clearance and the issuance of a work permit which is required for entry. The new Immigration Bill and the introduction of new technology is likely to have a positive impact on the improper use of temporary work permits and speed up the work permit issuance process.		

4.4 Finance

4.4.1 General Overview:

As the largest revenue generating Ministry, most of the detailed testing was focused on the streams which fall under the responsibility of the Ministry.

Description	Metrics	Value	
Import duty	Approx. 5000 payees	(52,701,565.23)	
Hotel & Restaurant Tax	Approx. 380 payees	(40,948,208.76)	
Business License Applications	Approx. 600 payees	(261,260.33)	
Business License Renewal	Approx. 2300	(1,879,099.82)	
Seaport Departure Tax	1Payee	(1,685,761.00)	
Bank Services Tax	13 Payees	(2,031,764.65)	
Insurance Premiums Tax	12Payees	(809,710.47)	
Stamp Duty – Vehicle Hire	30 Payees	(912,632.13)	
Hotel Inspection Fees		(12,680.00)	Scoped out
		<u>(101,242,682.39)</u>	

The detailed testing is set out in Appendices 9 to 17.

No issues were identified when testing from the GL to source and vice versa except for one item, as detailed in the appendix.

4.4.2 Hotel and restaurant tax:

Hotel and restaurant Tax is collected on all designated hotels and restaurants. During FY 14 approximately \$40M was collected from 379 payees. The top 20 payees accounted for \$30M.

HTT is one tax but has varying applications

- Hotels and private villas – require automatic registration

- Restaurants and bars – based on designation
- All other tourism services – based on annual turnover, if greater than \$50k, required to pay tax

4.4.3 Compliance/Completeness

The responsibility for the completeness of the hotel and restaurant tax income is the revenue control unit.

The revenue control unit ensures the completeness and accuracy of the returns by field visits to the hotels and designated restaurants.

Finance aims to obtain 25% coverage of businesses registered, therefore of total population of approximately 400, aim for 100 audit cases per year.

In respect of the compliance work by the Revenue Control Unit:

- Coverage is not necessarily different businesses every year
- Certain businesses are audited repeatedly if: non-compliant, not filing or not paying taxes
- Audits inspect books and records are required to be kept
- Audits are able to go back 2 years in order to verify all documents are in order
- Should a business be collecting taxes and not remitting the amounts – audits can go back further

If a hotel or designated restaurant is identified as non-compliant

- Assessments are raised, should payment not be received, Finance then call, write letters and visit the business. The last resort is approaching the Attorney General.
- Payments are supposed to be received within 7 days of notice issued, however Finance exercise discretion as payment plans can be negotiated.

The Revenue Control Unit is attempting to identify Villa Rentals by Owner (VRBO), which should be registered with a business license and be paying the Hotel and Restaurant tax. Given that the business operations of the VRBO it is often difficult to identify VRBO's especially when the ownership and much of the administration is not on Island.

The Finance Department has recently sent letters to property managers and attorneys, appealing to provide information in order to identify private individuals providing short term rentals and not registered for tax.

It is generally accepted that there are a percentage of VRBO's that are not registered and not paying the required tax.

Weaknesses Identified

The revenue control office does not subject every businesses an annual audit to ensure compliance with the Hotel and Restaurant Tax.

Rank	SIGNIFICANT DEFICIENCY	Risk	Medium
<p>Criteria: The Hotel and Restaurant (Taxation) Ordinance requires that Hotels and designated restaurants pay the designated tax.</p> <p>Condition: It is possible that certain establishments are not filing returns or are filing returns that understate the tax payable. Of the 380 payees 264 have less than 12 receipts, 132 have less than 6 receipts. Given that the tax is payable monthly we would expect the majority to be above 9 assuming a summer closing. It is possible that the numbers are the result of a change of ownership or a prolonged shut down, but unless there is a systematic follow up of the non-payer it is difficult to know.</p> <p>Cause: The lack of a compliance program that covers the majority of the potential population and the limited number of businesses prosecuted means that there is little to discourage entities for avoiding the payment of the tax.</p> <p>Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in Hotel and Restaurant Tax. The 132 properties with less than have reported receipts of \$770,000 if they are under reporting by 20 % the loss to the Government would be in the region of \$154,000.</p>			
Recommendation			
Consideration should be given to an annual inspection of all businesses to ensure compliance with the ordinance, if this could be incorporated within an online application and monthly returns process the audit could simply be an overview of the returns and explanation of the non-returns for the smaller payees.			
Action Plan			
Person Responsible	Revenue Control Office	Estimated Completion Date	
Management Response			
In 2013, the Revenue Department embarked on several initiatives including restructuring of the Department along functional lines. The restructuring saw the establishment of a fully dedicated Compliance Section with primary responsibility for following up on defaulters and implementing compliance strategies. The Department also introduced an annual registration drive to identify potential registrants. Additionally, in October 2013, an amendment to the HRTTO provided for the lodging of "nil returns" where no transactions occurred within a tax period. This means that registered persons must file returns even during temporary closure in the slow tourism periods. Also, the Department's audit program has been strengthened and over 100 audits were completed yielding a total of over \$0.5M in additional taxes.			
A Legal Officer for the Department was recruited in June 2014 and training has been conducted with the Office of the Director of Public Prosecution. The Department intends to engage the DPP in the prosecution of defaulters under this and other taxes. Funds have also been allocated to enhance the tax administration system, SIGTAS. The enhancement will include the development of management reports and introduction of online filing and payment process on a phase basis.			
We therefore concur with this assessment and anticipate improved performance in subsequent years.			

There is a potential for unregistered VRBO's which are not paying the Hotel and Restaurant Tax

SIGNIFICANT DEFICIENCY		Medium						
<p>Criteria: The Hotel and Restaurant (Taxation) Ordinance requires that business providing paid lodgings should pay the tax.</p> <p>Condition: If the VRBO is not registered it will not fall under revenue controls the compliance program. Given that a significant amount of the administration is done off Island for VRBO's it is possible that villa owners are not registered and not paying taxes due on tourist rentals.</p> <p>Cause: The lack of a robust compliance program that covers unregistered businesses and the limited number of businesses prosecuted means that there is little to discourage those entities which wish to evade the payment of the tax.</p> <p>Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in Hotel and Restaurant Tax. The tax effect of the 690 properties (at \$550 per night and a 50 % occupancy) is estimated at approximately \$8M therefore if 10 % of the properties do not register this could lead to a shortfall of nearly \$800,000.</p>								
<p>Recommendation</p> <p>Using the VRBO web site it is possible to send an email each of the Villa owners/managers using a standard format requesting their business license number and details of their tax registration. Compliance follow up should be implemented for non replies.</p>								
<p>Action Plan</p> <table> <tr> <th>Person Responsible</th><th>Revenue Control Office</th><th>Estimated Completion Date</th></tr> <tr> <td colspan="3"> <p>Management Response</p> <p>The direct renters (VRBO) sector continues to be a major compliance issue for the Department as, in most cases, these owners do not even possess Business Licenses and are difficult to track. The Department has employed various strategies and engaged strategic partners in an effort to effectively capture VRBOs in the tax net. The VRBO Sector has been the primary focus of our registration drives since 2013 and third party information has been accessed from several sources including the relevant websites. However, there is much work to be done! We believe this sector must be regulated and that a process is introduced to ensure the maintenance of an accurate and updated registry of VRBOs on the Islands. The compliance issues in this sector are not only pertinent to the Revenue Department but span across several government departments and agencies; hence the need for a more collective compliance approach.</p> </td></tr> </table>			Person Responsible	Revenue Control Office	Estimated Completion Date	<p>Management Response</p> <p>The direct renters (VRBO) sector continues to be a major compliance issue for the Department as, in most cases, these owners do not even possess Business Licenses and are difficult to track. The Department has employed various strategies and engaged strategic partners in an effort to effectively capture VRBOs in the tax net. The VRBO Sector has been the primary focus of our registration drives since 2013 and third party information has been accessed from several sources including the relevant websites. However, there is much work to be done! We believe this sector must be regulated and that a process is introduced to ensure the maintenance of an accurate and updated registry of VRBOs on the Islands. The compliance issues in this sector are not only pertinent to the Revenue Department but span across several government departments and agencies; hence the need for a more collective compliance approach.</p>		
Person Responsible	Revenue Control Office	Estimated Completion Date						
<p>Management Response</p> <p>The direct renters (VRBO) sector continues to be a major compliance issue for the Department as, in most cases, these owners do not even possess Business Licenses and are difficult to track. The Department has employed various strategies and engaged strategic partners in an effort to effectively capture VRBOs in the tax net. The VRBO Sector has been the primary focus of our registration drives since 2013 and third party information has been accessed from several sources including the relevant websites. However, there is much work to be done! We believe this sector must be regulated and that a process is introduced to ensure the maintenance of an accurate and updated registry of VRBOs on the Islands. The compliance issues in this sector are not only pertinent to the Revenue Department but span across several government departments and agencies; hence the need for a more collective compliance approach.</p>								

4.4.4 Stamp Duty-Vehicle :

Stamp Duty-Vehicle Tax is collected from Car rental entities on all car rentals. During FY 14 approximately \$1M was collected from 30 payees. A review of the payments for the year indicates nearly a third had not made 12 monthly payments.

The revenue control unit ensures the completeness and accuracy of the returns by field visits to the car rental agencies.

Weaknesses Identified

The revenue control office does not subject every businesses an annual audit to ensure compliance with the Vehicle Hire Stamp Duty Ordinance and ensure regular monthly payments.

Rank	DEFICIENCY	Risk	Low			
<p>Criteria: The Vehicle Hire Stamp Duty Ordinance 1985 requires that entities renting vehicles should collect the appropriate tax.</p> <p>Condition: It is possible that certain establishments are not filing returns or are filing returns that understate the tax payable. Of the 30 payees 8 have less than 12 receipts. It is possible that the numbers are the result of a change of ownership or a prolonged shut down, but unless there is a systematic follow up of the non-payer it is difficult to know.</p> <p>Cause: The lack of a compliance program that covers the majority of the potential population and the limited number of businesses prosecuted means that there is little to discourage entities for avoiding the payment of the tax.</p> <p>Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in Vehicle Hire Stamp Duty although the loss is likely to be less than 10% or \$90,000.</p>						
<p>Recommendation</p> <p>Consideration should be given to an annual inspection of all businesses to ensure compliance with the ordinance, if this could be incorporated within an online application and monthly returns process the audit could simply be an overview of the returns and explanation of the non-returns for the smaller payees.</p>						
<p>Action Plan</p> <table><tr><th>Person Responsible</th><th>Revenue Control Office</th><th>Estimated Completion Date</th></tr></table>				Person Responsible	Revenue Control Office	Estimated Completion Date
Person Responsible	Revenue Control Office	Estimated Completion Date				
<p>Management Response</p> <p>xxx</p>						

4.4.5 Import duties, customs processing fees and fuel tax:

The analysis of importers reveals that of the over 5,000 individual payees:

Importers	Value	As a percentage of total
Top 20 Importers	-\$38,356,228.05	73%
Top 50 Importers	-\$45,516,053.55	87%

Testing from GL to source and vice versa was satisfactory but the following matter was noted.

Weaknesses Identified

The Customs officers are required to ensure compliance with the Customs Ordinance and payment of duties at the correct tariff rate.

Rank	DEFICIENCY	Risk	Medium
<p>Criteria: The Customs Ordinance requires that goods imported into the country should pay duty on the using the appropriate tariff.</p> <p>Condition: The significant number of tariffs (Over 6,000) and the various rates may lead to tariff shopping by importers. For instance pipes with ethylene have a duty rate of 10%, while pipes without ethylene have a duty rate of 30 % and tubes of cast iron have a duty rate of 10% while tubes other are 30 %.</p> <p>Cause: Given the number of tariffs and the marginal difference in descriptions it is possible that customs officers will have difficulty in establishing the correct tariff rate for imported goods. It is likely that the importer will always opt for the lowest rate.</p> <p>Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in Customs Duty.</p>			
Recommendation			
Consideration should be given to simplifying the tariff structure.			
Action Plan			
Person Responsible	Director of Compliance	Estimated Completion Date	
Management Response			
XXX			

4.4.6 Business licence renewal:

All business operating in the Turks & Caicos Islands are required to have a business license under the Business Licensing Ordinance.

The revenue stream for business licensing is the only revenue stream with a subsidiary ledger tied into the SIGTAS system. The report dated September 11, 2014 entitled "Suggested list of unpaid business licenses" runs to 544 pages with nearly 6,000 individual businesses in arrears indicating a suggested amount of over \$4,600,000 outstanding in business licenses.

It is clear from a cursory review of the information that much of the information is out of date and misleading. To take two examples from the "A" section both Alfreds Place Limited and Alan Upton/Provo Eats have both been closed for at least 10 years and the proprietors have left the Island.

In discussion with the revenue control personnel it was stated that the existing regulations did not allow "write offs" of government monies without House of Assembly approval. The issue in the subsidiary ledger is that in many cases these would not be "write-offs" as the entities were not in business and

therefore did not need and did not owe for a business license. They are mistakes because the subsidiary ledger was not updated to take account of the fact that the business no longer required a business license and it is not clear that the correction of a mistake would need the approval of the House of Assembly.

It is not apparent how useful the subsidiary ledger is in its present form, either for compliance purposes or for financial statement purposes.

There does not appear that there is an active orchestrated compliance program in place for business licenses. Given the low values of many of the business licenses (nearly 2,000 of the renewals are for less than \$1,000) and the limited resources of those overseeing the business license compliance it is difficult to envisage an effective program as a stand-alone business unit.

Weaknesses Identified

There are no systematic compliance checks of businesses to ensure compliance with the regulations set out in the Business License Ordinance.

Rank	SIGNIFICANT DEFICIENCY	Risk	Medium
Criteria: The Business License Ordinance requires that all businesses on the Islands (with certain limited exemptions) are required to register and pay the required fee.			
Condition: It is likely there are businesses in operation that have not paid the appropriate license fee.			
As an example in reviewing the business license renewal category which cost \$5,400 and covers the following businesses Accountancy, Engineering, Lawyers, Property Development, Surveyors and Water Sales we identified the following renewals in FY14:			
		No of Renewals	
	Accountants	4	
	Lawyers	11	
	Development Companies	8	
	Quantity Surveyors	5	
	Water Companies	3	
	Other-Unidentified	11	
	Total	42	
The number of professional firms on the Island would seem to be significantly higher than those business license renewals.			
Cause: The lack of a coherent compliance program and the limited number of businesses prosecuted for none			

payment of the business license means that there is little to discourage businesses from avoiding the payment of business license fees.

Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government in business license fees. In the example identified in this one category there could be a loss of government revenue in excess of \$100,000.

Recommendation

Consideration should be given to an annual compliance audit of business licenses, but to be cost effective it would be useful if this could be linked to compliance activities of the other revenue streams.

Action Plan

Person Responsible	Revenue Control Office	Estimated Completion Date
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Management Response

We fully concur with your assessment below and are happy to report that on the recommendation of the Revenue Department, Cabinet in October 2014, approved the establishment of a joint team to ensure compliance across most of TCIG's revenue streams. This team will comprise representation from several Departments including Environment, Revenue, Customs, Immigration, Planning and Police and will be launched in January 2015. Please also note that the Revenue, Police and Environment Departments launched a joint compliance initiative in September 2014 (was on PTV News). Additionally, in June 2014, the Revenue Department recruited a Legal Officer who has now been trained by the DPP's Office to prepare cases for prosecution. It is our intention to enforce compliance by employing the enforcement provisions in the Business Licensing Ordinance including court action.

4.4.9 Domestic Financial Services Tax: \$2,031,764

There are 12 entities paying the domestic financial services tax. The top two payers amount for nearly 75% of the tax paid. A review of the payments indicates that three of the entities have not made monthly returns in respect of the tax.

Weaknesses Identified

It appears from the analysis that monthly returns have not been made by certain of the institutions liable for the domestic financial service tax.

Rank	DEFICIENCY	Risk	Low
Criteria: The domestic financial services tax requires monthly returns Condition: Not all institutions are paying monthly as required by the Ordinance Cause: Ineffective compliance procedures allow late payment Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government.			
Recommendation			
Consideration should be given to following up with the financial institutions that have not filed monthly returns.			
Action Plan			
Person Responsible	Revenue Control Office	Estimated Completion Date	
Management Response We concur with your assessment and advise that our compliance team has been put measures in place to address this situation.			

4.4.11 Gaming machine tax: \$1,820,854

The gaming machine tax is based on 35% of the total amount of money taken by the machines. There are 8 companies who paid the tax in FY2014.

In a meeting with the gaming inspectorate the timing of payments was discussed:

- The Company has 21 days to pay the respective tax from date drop sheet completed.
- Late penalty of 20% charged on payments later than 21 days.
- Tax: 35% of net earnings

The ordinance states that the payment is due monthly or at such shorter periods as maybe determined by the Government. It is not readily apparent why any of the companies would be operating at longer than monthly intervals.

The Gaming Inspectorate is responsible for the completeness of revenue in respect of the gaming machine tax.

- Inspector is accompanied by technicians of the Company,
- Physically complete a drop sheet in order to verify the hard meters
- Inspector records hard in and hard out of each machine on the drop sheet
- Tickets are printed for each machine, which shows hard in and hard out, in order to support the figures recorded on the drop sheet by the inspector. The tickets are attached to the drop sheet. Tickets are printed directly from the machine
- A different inspector checks the drop sheets to the ticket printed
- The net earnings to the Company is calculated by the inspector
- Drop sheet is signed and dated by the inspector.
- Currently 5 inspectors – inspectors rotate, in order not to have the same inspector on each drop

On a weekly basis, the machines are opened in the presence of a Gaming Department Officer and the cash matched against the movement in meter readings with a “drop sheet” being prepared and signed off. The officer assigned varied from visit to visit. However, experienced technicians can easily tamper

with the meters. Whilst there is some monitoring of “unusual” meter readings, the process should be more formalized based on the net gains which a slot machine operator would be expected to achieve. Of the 8 companies reviewed 4 had made less than the 12 monthly payments.

Weaknesses Identified

Gaming tax should be paid, at a minimum monthly.

Rank	DEFICIENCY	Risk	Low
Criteria: The Gaming Ordinance requires monthly payments Condition: It is apparent from the analysis that certain companies are not paying monthly Cause: See responses obtained Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government or delay in the receipt of revenue.			
Recommendation			
A robust compliance program would ensure that the payments reflect the obligation of the telecommunication providers.			
Action Plan			
Person Responsible	Gaming Inspectorate	Estimated Completion Date	
Management Response During this year, management has realized that a few licensees are failing to make their monthly tax payments on a timely basis. After reviewing this issue, we found the following causes: <ul style="list-style-type: none">• The Casino and Gaming Machine Ordinance favors the licensees with regards to unpaid tax (non-enforcement of penalties) and this can result in tax payments not being made on a monthly basis.• The Casino Tax payment is being paid quarterly and has been the practice during the casino’s existence on the island.• Licensees are collecting their tax payment receipt vouchers from the Gaming Department for payment but are not making payment to the Treasury Department in a timely manner. We don’t find this to be a loss in gaming revenue but a delay in the receipt of revenues. Our plan of action for 2015 is to take a “no nonsense approach” going forward, and we are seeking the following. <ol style="list-style-type: none">1. Amendment to the Gaming Act to strengthen the authority of the Gaming Department to take action 48 hour after the audit is completed if the tax has not been paid to the Treasury Department by that time.2. A Compliance and Tax and Licensing Unit within the Gaming Department to ensure and enforce compliance at all times.3. Communication with the current Casino management regarding a change of quarterly payments to monthly payments from January 2015 has already been discussed. It is believed that once these measures are in place, the issues and delays of receipts will be nonexistent or be at a minimum.			

4.4.12 Lottery Tax:\$196,182

The lottery tax is governed by the Turks & Caicos National Lottery Ordinance the Lottery Operator is TCI LOTTO games Limited. In discussions with the gaming inspectorate they described the compliance procedures:

- Currently receiving gaming revenue however not controlled by gaming
- No particular department/individual responsible with justifying what earned by the lottery
- Gaming department do visit the lottery and perform checks, although legally the responsibility is with the Lottery Board.
- Lottery report monthly to the gaming dept., tax is 12% of net taking

Weaknesses Identified

The operation of the lottery operator is the responsibility of the Lottery Board, but as there is no functioning lottery board there is limited oversight of the lottery operator.

Rank	DEFICIENCY	Risk	Low
	<p>Criteria: Specific responsibilities in relation to the National Lottery are set out in the National Lottery Ordinance.</p> <p>Condition: The absence of the Lottery Board means that the statutory safeguards are not in place</p> <p>Cause: Failure of Government to ensure a functioning lottery board as is required by the law.</p> <p>Effect or potential effect: There is a potential loss of revenue to the Turks & Caicos Government or delay in the receipt of revenue. Also there is potential that the lottery unsupervised is being run inappropriately.</p>		
Recommendation			
Reestablishment of the lottery board to ensure there is appropriate oversight over the National Lottery.			
Action Plan			
Person Responsible	Gaming Inspectorate	Estimated Completion Date	
Management Response			
xxx			

4.5 Environment

4.5.1 In respect of vehicle registration and driving licences, the following matters were noted and the detail of the tests are noted in appendix 18 and 19

Weaknesses Identified

For vehicle registration and driving licenses, filing is not organized in any structured way and, therefore, documentation is difficult to trace

Rank	DEFICIENCY	Risk	Low
<p>Criteria: The appropriate filing of documents supporting the department’s decisions and application of the vehicle registration and driving licences is required for both the operational efficiency of the department and for subsequent review by revenue compliance and external audit.</p> <p>Condition: Due to lack of resources and the substantial volume of paperwork filing is haphazard.</p> <p>Cause: The department is under resourced and the reliance on paper forms and the volume of forms make the organization of the filing difficult additionally as drivers’ licences are printed on Grand Turk, documentation is sent there for processing and should be returned to Providenciales when the licence is prepared. However, not all documents are returned resulting in files being incomplete.</p> <p>Effect or potential effect: The potential that documents, that underlie the vehicle registration application, could be lost or misplaced provides an opportunity for errors in the computation or collection of such fees.</p>			
Recommendation			
Consideration to either applying more resources to the filing process or to adopting an online application system which would reduce the paper work and allow for more efficient and effective control of the process			
Action Plan			
Person Responsible	PS, Environment	Estimated Completion Date	
<p>Management Response</p> <p>The Ministry agrees that filing in the Road Safety Department is haphazard. This is due, in part, to being under-resourced, but is also partly due to the ineffective distribution and use of staff and the assignment of responsibilities.</p> <p>The Ministry supports the recommendation to adopt an online application system which would be much more effective and reliable as it has the potential to (i) reduce paperwork and the need for paperwork filing (ii) eliminate the need for recruitment of additional staff to work in this area (iii) provide a means for the completion of applications without visiting a Road Traffic Office (iv) a faster turn-around time for the issuance of permits and licences.</p>			

NAO Audit Details

Summary of Issues - Revenue Arrears				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Material Weakness	High	Statement of Revenue Arrears provided has a number of inconsistencies	The Statement of Arrears should be confirmed as true and correct by all departments before finalization. The department should also make available the support documentation to aid in this confirmation.
2	Material Weakness	Moderate	All Dishonoured cheques not included in Statement of Revenue Arrears	Proper evaluation of the dishonoured cheques to ensure that all dishonoured cheques are included in the Revenue Arrears Statement. Insuring the list is up to date on the payments and detailed. Ministries should be informed of the amount of dishonoured cheques paid for their service in order to include these in their records.
3	Material Weakness	Moderate	Number of inconsistencies within the Ministry of Finance Revenue Arrears listing	Ensure that the heads of department are in congruence with what the Ministry will submit to treasury.
Summary of Issues - Concessions				
Issue #	Rank	Risks		Recommendations
1	Material Deficiency	High	108 companies/persons receive concessions who also have Revenue Arrears	All companies/persons should be checked before receiving a concession for any duties owing to TCIG and made to pay.
2	Control Deficiency	High	Weakness in the inspection of goods brought in under concessions	Develop clear guidelines and instructions for persons delegated to carry out the development spot checks. Have a timetable created to ensure that they are done on regular basis. Training in the field is also needed.

Expenditure General				
Issue #	Rank	Risk		Recommendations
1	Significant Deficiency	Moderate	Excess Expenditure for certain Programs and Accounts	Accounting Officers should comply with PFMR 29, 48 and 51. Expenditure should be managed so that ministries and departments do not incur expenses in excess of authorized amounts.
Expenditure Arrears				
Issue #	Rank	Risk		Recommendations
1	Significant Deficiency	Moderate	Expenditure Arrears Management	Accounting Officers should ensure that POs are reconciled with payments to ensure that all commitments are paid. Further, responsible officer should follow up with vendors to ensure that all outstanding bills are submitted and paid. Payments should be made in the financial year in which they were incurred.
Judiciary				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable.
2	Control Deficiency	Low	Some transactions failed to have supporting attachments thus, no proof that entries were authorized, certified true and correct before payments were made	It is recommended that proper records of invoices and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.

3	Control Deficiency	Moderate	Transactions were authorized by the same person on both levels	Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.
Ministry of Border Control (D21/1 - D24/1)				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	Low	Purchase Order	Accounting Officers must ensure that officers responsible for procurement within their Ministries and Departments follow the Public Procurement Ordinance, section 32, ensuring that POs are issued to request good and services.
2	Control Deficiency	Moderate	Transactions resulting in material amounts were approved by the same approver twice, as well as those who were deemed as inappropriate approvers.	Accounting officers must adhere the PFM Regulations section 72 (2-3) ensuring that persons who are designated to approve payments are assigned financial limits. Further, the Ministry should ensure that adequate approvers are assigned to prevent one person from approving at both levels.
3	Control Deficiency	Moderate	Invoice certifications were not duly and competently performed.	Accounting Officers should ensure that responsible officers follow PFMR Section 72 (4).
4	Material Weakness	Low	Excessive utility bill payments at the Detention Camp.	The Accounting Officer should ensure that responsible officers comply with PFMR 72 (4), ensuring that reimbursements/claim are not paid unless they are accompanied

				with sufficient evidence that the expense was paid.
Governor's Office				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services.
2	Control Deficiency	Moderate	Transactions that are not certified true and correct	The Accounting Officer should ensure that payments are certified and approvers are informed and trained on the certification of payments process.
3	Control Deficiency	Moderate	Beneficiary approving their own payments	Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments.
4	Control Deficiency	Low	Transactions approved by the same person on both levels	Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.
5	Control Deficiency	Moderate	Mis-posting	Accounting Officers must comply with PFMR 72 (4) ensuring that expenditure is posted to the appropriate account.

6	Control Deficiency	Low	Related Party Transaction	Accounting Officers must comply with the Code of Conduct chapter 3 Section (23) in relation to related party transactions. Further, Section 145 of the Public Services Ordinances and the Public Service Handbook requires officers to declare any conflict of interest. Officers must avoid both actual and an apparent conflict between their private interests and their official functions. Persons who are not complying should be penalized.
Attorney Generals Chambers				
Issue #	Rank	Risk		Recommendations
1	Control Deficiency	High	Beneficiary approving own payment.	Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments.
2	Control Deficiency	Moderate	Transactions approved by the same person at both levels.	Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer.
				Further, responsible officers should be trained to identify and manage the risk associated with the payment process.
3	Control Deficiency	High	Purchase Orders were not used to request Goods/Services	Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable. Responsible officers should be trained or retrained to prepare and matching POs.

4	Control Deficiency	Moderate	Duplicate payments	Accounting Officers and authorized personnel should adhere to section 72(4) of the Public Finance Management Regulation (PFM). Responsible officers should ensure that all invoices are reviewed before they are entered into SmartStream in order to reduce the risk of making duplicate payments.
5	Control Deficiency	Moderate	Payments were not certified true and correct.	Accounting Officers must ensure that invoices are certified "true and correct" and signed by responsible officers and that all SmartStream invoices have attachments. Accounting Officers must also ensure that review is carried out of all payments before they are approved.
6	Control Deficiency	Moderate	Invoices not bearing evidence of having been checked for calculations where applicable.	Accounting Officers must ensure that there is proper record keeping and that the necessary steps are taken in the payment process. It is important to take proactive steps and introduce additional controls to avoid over payments or duplicate payments. Accounting Officers must also ensure that proper checks on invoices are done before making payments.
Officer of The Director of Public Prosecution				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	High	Beneficiary approving own payment	Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments. Responsible officers should have training in risk and controls in the payment process.
2	Control Deficiency	Low	Transactions authorized by the same person on both levels	Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should

				<p>have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer.</p> <p>Further, responsible officers should be trained to identify and manage the risk associated with the payment process.</p>
3	Significant Deficiency	High	Purchase orders were not used to request Goods/Services	Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.
4	Control Deficiency	Moderate	Payments were not certified true and correct and no attachment to SmartStream Invoices	Accounting Officers must ensure that invoices are certified "true and correct" and signed by responsible officers and that all SmartStream invoices have attachments. Accounting Officers must also ensure that review is carried out of all payments before they are approved.
Office of the Premier				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32 (5), ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.
2	Control Deficiency	Moderate	Transactions that are not certified true and correct	Accounting Officers must ensure that authorized officers check and certified invoices 'true and correct' before payments are made.
3	Control Deficiency	High	Beneficiary approving their own payments	Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments. Responsible officers should have training in risk and controls in the payment process.

4	Control Deficiency	Moderate	Transactions authorized by the same person on both levels.	Accounting Officers should adhere to PFMR 72 (2) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process
5	Control Deficiency	Moderate	Bills were not approved for payment.	Accounting Officers and other authorised personnel should adhere to section 72(2) of the Public Finance Management Regulation (PFM) and ensure that review, authorization and approval controls are employed.
6	Significant Deficiency	High	Contravention of the Appropriation Ordinance	Permanent Secretaries must ensure that all legal requirements are satisfied relating to the control and authorization of public expenditure. Any non-compliance could result in the accounting officer being liable for unauthorized expenditure. TCIG should ensure that their use of resources is properly authorized and controlled. Expenditure should be incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. Effective control over expenditure must be maintained at all stages supported by an appropriate accounting system. Expenditure should be authorized in the operational area which entered into the commitment, with due consideration to separation of duties. Desk instruction covering both the arrangement for entering into commitments and for approving and processing the resultant

				payment (i.e. both purchasing and budgetary authority) should be put in place at operational level.
7	Significant Deficiency	Moderate	Related Party Transaction	Code of Conduct chapter 3 Section (23) states that senior Officers must comply with the provision of Integrity Commission Ordinance relating to declarations and section 145 of the Public Services Ordinances, and the Public Service Handbook in relation to handling conflict of interest. They must avoid both actual and an apparent conflict between their private interests and their official functions. All governments' officials should adhere to and comply with the Ordinances and Regulation. Persons who are not adhering and complying should be penalized for such action.
Ministry of Health (33/1 - 36/1)				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable. If implemented there should be more control over spending, planning and future budgeting.
2	Control Deficiency	Moderate	Transactions that are not certified true and correct	It is recommended that proper records of invoice and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.
3	Control Deficiency	Moderate	Beneficiary approving their own payments	Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments.

4	Control Deficiency	Moderate	Transactions authorized by the same person on both levels	Accounting Officers and other authorized personnel should adhere to section 72(2) of the Public Finance Management Regulation (PFMR) which is outlined above in the criteria section. Furthermore, Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1, 2 and 3 by the same officers.
5	Control Deficiency	Moderate	Mis-Posting	Personnel in authority are responsible for renewing all contracts that are not up to date, and not leaving these contracts to continuing without renewing them. The Public Procurement Ordinance 2012 Section 50 (PPO) which is outline above in the criteria section.
6	Significant Deficiency	High	Contravention of the Appropriation Ordinance	Permanent Secretaries must ensure that all legal requirements are satisfied relating to the control and authorization of public expenditure. Any non-compliance could result in the accounting officer being liable for unauthorized expenditure. TCIG should ensure that their use of resources is properly authorized and controlled. Expenditure should be incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. Effective control over expenditure must be maintained at all stages supported by an appropriate accounting system. Expenditure should be authorized in the operational area which entered into the commitment, with due consideration to separation of duties. Desk instruction covering both the arrangement for entering into commitments and for approving and processing the resultant payment (i.e. both purchasing and budgetary authority) should be put in place at operational level.

7	Significant Deficiency	Moderate	Duplicate Payments	Accounting Officers and other authorised personnel should adhere to section 72(4) of the Public Finance Management Regulation (PFMR) which is outline above in the criteria section. It is also important for officers to check then recheck payments before they are actually made in order to reduce the risk of making duplicate payments.
Royal Turks and Caicos Islands Police Force				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32 (5), ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.
2	Control Deficiency	High	Transactions that are not certified true and correct	It is recommended that proper records of invoice and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.
3	Control Deficiency	High	Beneficiary approving their own payments	Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments. Responsible officers should have training in risk and controls in the payment process

4	Significant Deficiency	High	Contravention of Appropriation Ordinance	Permanent Secretaries must ensure that all legal requirements are satisfied relating to the control and authorization of public expenditure. Any non-compliance could result in the accounting officer being liable for unauthorized expenditure. TCIG should ensure that their use of resources is properly authorized and controlled. Expenditure should be incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. Effective control over expenditure must be maintained at all stages supported by an appropriate accounting system. Expenditure should be authorized in the operational area which entered into the commitment, with due consideration to separation of duties. Desk instruction covering both the arrangement for entering into commitments and for approving and processing the resultant payment (i.e. both purchasing and budgetary authority) should be put in place at operational level.
5	Control Deficiency	Moderate	Invoices were not approved for payment	Accounting Officers and other authorized personnel should adhere to section 72(2) of the Public Finance Management Regulation (PFMR) which is outlined above in the criteria section.
6	Significant Deficiency	High	No Contracts	Accounting Officers and Responsible Officers must ensure that contracts exist where required and that they are up to date as per the Public Procurement Ordinance 2012 Section 50 (PPO)

7	Control Deficiency	Moderate	Transactions authorized by the same person on both levels.	Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.
Deputy Governor's Office				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Significant Deficiency	Moderate	Purchase orders were not used to request Goods/Services	Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32 (5), ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.
2	Control Deficiency	Moderate	Payments were not certified true and correct	Accounting Officers must ensure that invoices are certified 'true and correct' and signed by responsible officers.
3	Control Deficiency	Moderate	Transactions authorized by the same person on both levels	Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

4	Significant Deficiency	Moderate	Payments made without obtaining the requisite quotes	Accounting Officers should ensure that quotes are obtained for goods and services
Ministry of Finance (D29/1 - D32/17)				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Significant Deficiency	High	Lack of and/or unable to view supporting documents	Relevant personnel should ensure that all proper documentation is attached to electronic invoices where applicable. Additionally, before payments are approved, approvers should ensure that all relevant support documents and other particulars of payments are attached and correct.
2	Control Deficiency	Moderate	Circumventing the approval process	There should be adequate separation of duties within the approval process. Approving should be performed by different employees at different levels. One employee should not be approving at both levels.
3	Material Weakness	Moderate	No budgeted amounts for accounts, however actual expenditure incurred.	Management should ensure that all relevant accounts have been budgeted for. There should be no expenditure from accounts that have not been budgeted for unless Management has made the necessary requests (i.e. Supplementary and/or Virement requests), there should be evidence to substantiate any claims made.
4	Significant Deficiency	High	Purchase Orders not matched to invoices where applicable	Management should ensure that data entry personnel are properly trained in the preparation of all relevant payments on the Smart Stream system. Refresher training should be obtained where it is deemed necessary. Management should also ensure that responsible officers use purchase orders for requesting goods and services where applicable.

5	Significant Deficiency	High	No Chief Financial Officer approval/business cases attached for payments \$10,000 and above.	All payments in the amount of \$10,000 and above should have the prior approval of the CFO. The electronic invoice on Smart Stream should be accompanied by a formal approval from the CFO for the incurred expenditure.
6	Significant Deficiency	High	Invoice attachments not checked for calculations, proper review of payments and not signed true and correct for payment.	Management and/or authorized personnel should ensure that before invoices properly checked for calculations and all other relevant information and that all payments are approved for payment, signed true and correct and dated.
7	Material Weakness	High	Contravention of the Appropriation Ordinance	Management should pay great attention to detail during the budgeting process to ensure that accounts are properly budgeted for. All payments should remain within the budgeted limits as outlined by the Appropriation Ordinance. If excess expenditure is foreseen or necessary, Management should ensure that the necessary steps are taken to acquire a supplementary or Virement where applicable.
8	Material Weakness	Low	Payments charged to incorrect accounts and no reconciliation	Data entry personnel should exercise care and attention throughout the data entry process to ensure that mistakes are minimal. Management/Authorized approvers should check to ensure that all information on the electronic invoice (i.e. amount, payee, account, Ministry, Program etc.) is correct before the payments are approved. Management should ensure that reconciliations of all accounts are performed on a monthly basis and necessary adjustments are made if need be.

Ministry of Education, Youth and Sports (D37/1 - 39/1)				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Significant Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable. If implemented there should be more control over spending, planning and future budgeting.
2	Control Deficiency	Moderate	Transactions that are not certified true and correct	It is recommended that proper records of invoice and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.
3	Significant Deficiency	High	No Contracts	Accounting Officers and Responsible Officers must ensure that contracts exist where required and that they are up to date as per the Public Procurement Ordinance 2012 Section 50 (PPO)
Ministry of Environment (D24/1 - D25/1)				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Significant Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable. If implemented there should be more control over spending, planning and future budgeting.
2	Control Deficiency	Low	No Contracts	Personnel in authority are responsible for renewing all contracts that are not up to date, and not leaving these contracts to continuing without renewing them. The Public Procurement Ordinance 2012 Section 50 (PPO) which is outlined above in the criteria section.
Ministry of Government Support Services (D26/1 - D28/4)				
Issue #	Rank	Risk	Issue Description	Recommendations

1	Control Deficiency	Moderate	Purchase Orders were not used to request Goods/Services	Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable. If implemented there should be more control over spending, planning and future budgeting.
2	Control Deficiency	Moderate	Transactions were not certified true and correct	It is recommended that proper records of invoice and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.
3	Control Deficiency	Moderate	Transactions approved by the same person on both levels	Accounting Officers and other authorized personnel should adhere to section 72(2) of the Public Finance Management Regulation (PFM) which is outlined above in criteria section. Furthermore, Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officers.
4	Control Deficiency	Moderate	Transactions were mis-posting	Personnel in authority are responsible for renewing all contracts that are not up to date, and not leaving these contracts to continuing without renewing them. The Public Procurement Ordinance 2012 Section 50 (PPO) which is outlined in the above criteria section.
5	Control Deficiency	Moderate	Payments were not made to suppliers within 31 days	All persons in authority should adhere to the Public Finance Management Regulation 73 (1) which states that Accounting Officers shall settle payments by their ministries or departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the budgetary warrant issued for the purpose, within a period of thirty days of their receipt.

Summary of Issues - Payroll				
Issue #	Rank	Risk	Issue Description	Recommendations
1	Control Deficiency	High	Misdistribution of Allowances	Accounting Officers and Responsible Officers must ensure that the Public Service handbook is followed when issuing allowances. If the Handbook is lacking in a specific area it should be brought to the attention of those responsible for governance so that the needed provisions can be made.
2	Control Deficiency	Moderate	Poor Maintenance of payroll information and circumvention of the approval process	As previously recommended, Human Resource Directorate should ensure that records are maintained for all employees and there should be reconciliation at least quarterly with Treasury records. Also the payroll should be reviewed at least quarterly by someone independent of the payroll function to ensure that termination are captured, to prevent overpayments and to ensure that the payroll system reflect the decision communicated by the Human Resources Directorate.
Summary of Issues - Development Fund				
Issue #	Rank			Recommendations
1	Control Deficiency		Projects identified as not being initiated by a warrant were not investigated by SPPD	The Accountant General and SPPD must implement controls where no expenditure for any project could be processed through the system without an approved warrant. Surcharge any Accounting Office according to the Public Finance Management Ordinance for not managing and safeguarding the public funds he or she is responsible

				for.
2	Control Deficiency		Ineffective controls to ensure warrants issued are not overspent	Again, stronger controls must be implemented by the Accountant General to mitigate the problem of overspending warrants. The authorization and approval of warrants need to be strengthened to prevent unauthorized use of warrants (spending against funds that have not been authorized) the system must be reviewed to enable SPPD to enter approved warrant amounts against approved estimates for projects. The system should also be changed to require a valid warrant number to enable the department or Ministry to spend on a particular project. There must be regular review/monitoring of project accounts by SPPD to identify overspending and to monitor the spending or the Ministry or Department. Accounting Officers must ensure that all legal requirements are satisfied over the control and authorization of public funds as set out in the Public Finance Management Regulations 2012.
3	Control Deficiency		Projects approved in the appropriation ordinance 2013 were not undertaken	There should be better planning within the Development Fund Expenditure budget with regard to projects that will not be ready for undertaking in the financial year.

4	Control Deficiency		Over expenditure noted against estimates and actual development fund expenditure	Better collaboration between Ministries and Departments responsible for monitoring spending of the Development Fund. Surcharge any Accounting Office according to the Public Finance Management Ordinance for not managing and safeguarding the public funds he or she is responsible for.
5	Control Deficiency		Warrants issued that were more than the approved budget for 2013/14 and warrants issued where there was no budgeted figures	Accounting Officers must ensure that they adhere to the requirements of PFMO 2012.
6	Control Deficiency		Lack of support documents to verify donor funding received	The PS Finance or the Accountant General must forward correspondence to all accounting Officers informing them to forward all source documentation from international Donors to the Accountant general for verification before any money can be disbursed. We recommend that the Treasury design and implement controls to ensure that all documentation received from donors to verify monies donated to TCIG is securely filed for inspection and review. These documents must be properly maintained and secured according to the requirements of the Public Finance Management Regulations 2012 Sec 96.
7	Control Deficiency		Duplicate item identified	Management must continue to ensure that there is proper record keeping and that the necessary steps are taken in the payment process. It is important to take proactive steps and introduce additional controls to avoid duplicate payments.
Bulk Tickets				

1	Significant Deficiency	Moderate	Bulk Purchase Ticket	The Ministry of Finance should perform a cost benefit analysis to ascertain whether buying bulk is more economical or whether it is more cost efficient to use the 'Best fair of the Day' principle for local air travel.
Tourist Board Amex Payments				
1	Significant Deficiency	Moderate	No evidence to substituted \$50,000 paid to Amex	The Accounting Officer must ensure that transaction have sufficient supporting documents as evidence that TCIG has an obligation to make payment for services or assets before they are processed.
Vendor Master File				
1	Significant Deficiency	Moderate	Poor Vendor Master File Management	A vendor management policy should be developed as guidance for responsible officers. Officers should be trained on how to apply the policy. There should be a clean-up of the vendor master file to ensure that complete and accurate information concerning vendors are captured in the master file. Also basic and comprehensive due diligence should be carried out on vendors before and after they have been entered in the system. Reports should be generated for vendor activity for management review.
SmartStream Approval				
1	Control Deficiency	Moderate	SmartStream Approval	An approval policy should be developed for TCIG as a guide for Accounting Officers and responsible officers.
Treasury Systems				
1	Significant Deficiency	Moderate	NO SEGREGATION OF DUTIES WITHIN THE CHEQUE ISSUING SYSTEM	Management should input proper segregation of duties within the Cheque Issuing System to restrict access to certain functions from those persons who are considered regular users.

2	Material Weakness	Moderate	– LACK OF SEGREGATION OF DUTIES	No one person should be responsible for doing everything within an organization. When duties cannot be separated, compensating controls should be considered. Compensating controls can be preventative, detective or monitoring controls that are executed by an independent, supervisory-level employee who does not have preparing, reviewing, approving or reconciliation responsibilities for the process.
3	Control Deficiency	Moderate	NO FINANCIAL LIMITS STATED ON SMART STREAM SECURITIES LISTING AND CIRCUMVENTING THE APPROVAL	There should be adequate separation of duties within the approval process. Approving should be performed by different employees at different levels. One employee should not be approving at both levels or act as data entry and an approver. Management should ensure that the proper steps are taken to properly update and maintain the Smart Stream Securities listing, and that information is provided in accordance with regulations.
4	Control Deficiency	High	LACK OF ACCESS MANAGEMENT	Management should ensure that all persons that have left TCIG are properly removed from all systems. The super user status of the above mentioned person should be transferred to an existing employee of the organization.
5	Control Deficiency	Moderate	IMPROPER PREPARATION OF JOURNAL VOUCHERS AND NO SUPPORT DOCUMENTS ATTACHED TO JOURNAL VOUCHERS	All journal vouchers should be signed prepared, reviewed, approved and posted by the relevant personnel. All journal vouchers should be accompanied by the relevant support documents in all instances. The current journal voucher form should be amended to state posted to ledger and signed by the person actually posting the journal to ledger. The area which states prepared by, could be used for the person signing as simply having entered the journal on Smart

				Stream instead of that person signing in both the prepared by and posted by areas.
6	Control Deficiency	Moderate	– OVERLAPPING OF CHEQUES BEING ISSUED AND/OR RETURNED AS SHOWN IN THE RECORD BOOK	Separate record books should be maintained to show cheques being issued, returned and cancelled.
7	Material Weakness	Moderate	INFORMATION REQUESTED NOT PROVIDED	Management should be better organized and prepared to provide information to the National Audit Office as required or requested. If Management is unable to provide the necessary information at the required deadline, this should be communicated to the National Audit Office.
Property, Plant and Equipment				
1	Significant Deficiency	Moderate	Management of Property, Plant and Equipment	Accounting Officers should ensure that ministries and departments maintain complete and accurate registers for non-current assets. Ministry of Finance should inform the Accounting Officers of all the finding for their Ministries and Departments. Adequate resources should be provided to the Board of Survey so that Surveys can be carried effectively and efficiently. The Chairman of the Board of Survey should develop programs to bring awareness of the Board of Survey, its duties and responsibilities. Accounting Officers should also make every effort to provide assistance to the members of the

				Board of Survey so their Ministries and Departments are carried out effectively and efficiently.
Government Stores				
1	Significant Deficiency	Moderate	Management of Inventory	Accounting Officers should ensure that complete and up to date inventory records are maintained for all TCIG stores. Officers should be assigned to supervise all stores for each Ministry. Further, officers responsible for stores should be trained on maintaining store records. The Accounting Officer should ensure that all members of the Board of Survey are trained to perform surveys and to prepare report for surveys. The Board of Survey should have an awareness program to educate Public Officers on their significance and how their cooperation during the survey can assist with the effectiveness and efficiency of the Board. Accounting Officers should ensure that public officers cooperate with the members of the Board of Survey.
Advance to Public Bodies and Public Officers				
Staff Loans				
Issue #	Rank	Risk	Issue Description	Recommendations

1	Significant Deficiency	Moderate	Advances and loans were not managed in compliance with PFMR	The Accountant General must ensure that loans and advances issued to public officers and public bodies are issued and repaid in accordance with PFMO 31 and PFMR 81-83. Further, advances and loans should be reconciled monthly to ensure that repayments are made when due and the Accounting General should seek to recover all outstanding loans and advances.
Travel Advances				
1	Significant Deficiency	Moderate	Advances and loans were not managed in compliance with PFMR	Accounting Officers must ensure that controls are in place to monitor and reconcile travel advances. All Officer issued travel advances should ensure that they adhere to the requirements of the Travel Policy and retired travel advances within the required time.
Deposits				
1	Control Deficiency	Low	No reconciliation for some deposit accounts	Responsible Officers should maintain records and reconcile deposit accounts at least monthly to ensure compliance with PFMR 93.
Loss of Public Money and Stores				
1	Significant Deficiency	Moderate	Losses were not managed in compliance with financial regulations.	Accounting Officers should ensure that they comply with PFMR 14-20 ensuring that losses are reported and approval is obtained before disposal of items of equipment. Misplaced equipment should be reported to the PS, Finance and Accountant General
Related Party Declarations				
1	Significant Deficiency	High	Related Party	Accounting Officers must ensure that controls are in place to identify and manage conflict of interest. Further management must comply with the principles and standards relating to related party transactions. Management must be trained to identify and manage the

				risk associated with related party transactions.
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Statement of Revenue Arrears provided has a number of inconsistencies

Issue #1 Statement of Revenue Arrears provided has a number of inconsistencies.				
Rank	MATERIAL WEAKNESS		RISK	HIGH
Criteria: PFMR Section 63 (1) (2) (3) <div><div>(1)</div><div>Within thirty (30) days after the close of the financial year, each Accounting Officer shall submit to the Accountant General in a form approved by the Accountant General with a copy to the Auditor General, a return of all arrears of the revenue for which he is responsible.</div></div> <div><div>(2)</div><div>The return shall state for each revenue head and item the arrears outstanding at the end of that financial year.</div></div> <div><div>(3)</div><div>The Accountant-General shall, on receiving the individual returns consolidate them into a statement showing all the revenue outstanding under each revenue item as at the end of that financial year. The statements shall form part of the Government’s annual statements of accounts.</div></div>				
Condition: The Revenue Arrears Statement was received from Treasury along with the support documentation used to compose it, when the statement was compared to the Revenue Arrears the ministries have on record some of the figures do not correspond. This can be seen in Table 1. (Ref # B2)				
Risk: Neglect to collect all monies owing TCIG				
Impact: Lack of total revenue for the financial year because all debtors were not considered. This can also lead to poor planning for the next financial year. Because the loss of funds may be attributed to another reason/problem.				
Recommendation The statement of Arrears should be confirmed as true and correct by all departments before finalization. The department should also make available the support documentation to aid in this confirmation.				
Action Plan				
Person Responsible	ACCOUNTANT GENERAL	Estimated Date	Completion	March 31, 2014
The statement of arrears were confirmed as true and correct by the Accounting Officer and included detail listing of in support of the statements. The compiled statement however did not include statements that were not submitted to Treasury as is required.				
Detailed Findings Reference: B2		Page B2		

Table 1

Ministries	ARREARS	Ministries Records	Difference
Office of the Governor			
National Audit Office- Audit Fees	7,000		7,000
Attorney General's Chambers			
Arrears in Crown Land*	3,348,858	N/P	3,348,858
Ministry of Government Support Services			
Commercial Water Customers	1,400,578	N/P	1,400,578
Residential Water Customers	1,399,184	N/P	1,399,184
Total	2,799,762		2,799,762
Ministry of Finance, Trade and Investment			
Import Duty	322,551	322,551	(0)
Customs Processing Fee	30,482	30,482	(0)
Freight & Insurance Tax	7,256	7,256	(0)
Unpaid Declaration	379,731	379,731	(0)
Accommodation Tax	262,990	262,990	(0)
Dishonoured Cheques	61,738	61,738	0
Communication Tax	923,351	923,351	0
Business License Renewals	3,009,425	3,009,425	0
Total	4,997,524	4,997,524	(0)
Ministry of Environment			
Vehicle License	-	497,676	(497,676)
Driver's License	-	125,582	(125,582)
Road Safety Fines	-	50,000	(50,000)
Total		673,258	(673,258)
Ministry of Education, Youth, Sports and Culture			
Scholarship Contributions*	3,241,887	20,311,468	(17,069,581)
Student Fees	168,170	-	168,170
Other Fees	7,125	-	7,125
Total	3,417,182	20,311,468	(16,894,286)
Grand total	14,570,326	25,982,250	(11,411,924)

Table showing information used by Treasury to compose the Revenue Arrears Statement compared to the information on record at the ministries for Revenue Arrears. N/P- No information Provided

All dishonoured cheques not included in statement of revenue arrears

Issue #2 - All Dishonoured cheques not included in Statement of Revenue Arrears				
Rank	MATERIAL WEAKNESS	RISK	MODERATE	
<p>Criteria: It is best practice for all Dishonoured cheques that are not paid before the end of the financial year is included in the Statement of Revenue Arrears. This is because Dishonoured cheques are still amounts owed to the government.</p> <p>Condition: Cheques that had adequate information were checked against the Statement of Revenue Arrears and the support documentation provided. Results showed that there was a failure to include at least \$114,755.66 worth of Dishonoured Cheques. Departments such as The immigration and Labour had multiple dishonoured cheques, but no Revenue Arrears on the Statement.\$13,981.68 was include in the statement by the ministry of Finance but on the dishonoured cheque listing there were a number of cheques missing for the ministry on the revenue Arrears.(Ref #C2-3)</p> <p>Risk: An incorrect total of Revenue Arrears and continued acceptance of Bad debt (through the collecting of dishonoured cheques).</p> <p>Impact: The full extent of the government Arrears will not be discernible. This in turn will delay any attempt to collect the full amount owed to TCIG.</p>				
Recommendation				
Proper evaluation of the dishonoured cheques to insure that all dishonoured cheques are included in the Revenue Arrears Statement. Insuring the list is up to date on the payments and detailed. Ministries should be informed of the amount of dishonoured cheques paid for their service in order to include these in their records.				
Action Plan				
Person Responsible	Accountant General	Estimated Date	Completion	
The dishonoured cheques amount was included in the Statement of Arrears based of the certified statements received.				
Detailed Findings Reference:C2-3		Page C2-3		

Number of inconsistencies within the Ministry of Finance Revenue Arrears listing

Issue #3 - Number of inconsistencies within the Ministry of Finance Revenue Arrears listing				
Rank	MATERIAL WEAKNESS		RISK	MODERATE
Criteria: Best practice requires that there be consistent accounting data throughout a given department or ministry to ensure accuracy of the information posted in the Financial Statements.				
Condition: Although the information provided by the Ministry of Finance was consistent with what was posted by treasury, within the Ministry itself (Revenue Department) there were some inconsistencies presented. These include the amount of revenue arrears for Accommodation Tax, Business License, Telecommunication Tax and Dishonoured Cheques. Ministry of Finance has a Revenue Arrears Statement provided by Revenue Control that is in conjunction with the figures presented by the Ministry but upon requesting further information the Revenue Department dissimilar totals were provided by the Revenue Control. (See Table 2) (Ref # B5)				
Risk: This can lead to an incorrect recording of the total Revenue Arrears, which in turn can hinder the collection process.				
Impact: Reduction in Revenue Arrears collected or can lead to the pursuing of debt no longer valid.				
Recommendation				
Ensure that the heads of department are in congruence with what the Ministry will submit to the Treasury.				
Action Plan				
Person Responsible	Ministry of Finance Accounting Officer	Estimated Date	Completion	
Ministry will take step to ensure that the information submitted by the Ministry and the department are reconciled.				
Detailed Findings Reference: B5		Page B5		

Table 2 Highlight the difference in the Ministry of Finance Records and that of Revenue Control

Ministry of Finance, Trade and Investment	Ministry	Revenue
Accommodation Tax	262,990	240,082
Dishonoured Cheques	61,738	1,114,494
Communication Tax	923,351	89,175
Business License Renewals	3,009,425	4,681,092

Total	4,257,504	6,124,843
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108 entities receive concessions who also owe revenues

Issue #1 - 108 Companies/persons receive concessions who also have Revenue Arrears				
Rank	MATERIAL DEFICIENCY		RANK	HIGH
Criteria				
Best practice requires that the cost for receiving a concession doesn't outweigh the benefit. A concession should not be issued to persons already having debt owed to TCIG.				
Condition				
A review of concessions for 2011-2014 revealed that 108 companies/individuals received concessions while owing the Turks and Caicos Islands Government various licences, fees and taxes. The Arrears information for dishonoured cheques, accommodation tax, gaming tax, special scholarship contributions and import duties as at 31 st March, 2013 were compared with the concession given as at 31 st March, 2013. The review revealed the following:				
<div>1. There were 11 companies/individuals who received concessions that owed \$ 553,990.17 TCIG for accommodation tax.</div> <div>2. Six companies/individuals who received concessions that owed TCIG \$176,902.31 for dishonoured cheques.</div> <div>3. There were two companies/individuals who received concessions that owed TCIG \$278,437.28 for gaming taxes.</div> <div>4. There were three companies/individuals who received concessions that owed TCIG \$432,000 for special scholarship contributions.</div> <div>5. 47 Companies/individuals had arrears that exceeded the amount of concessions given.</div>				
<div>Total Concessions \$Total Arrears \$Difference\$</div> <div>\$343,842.90\$1,778,245.25\$1,434,402.35</div>				
Risk				
Not receiving the necessary revenue to cover the amount of concessions given on yearly bases. It reduces the benefit of issuing concessions.				
Impact				
It creates a culture of non-payment of arrears, i.e. persons have no incentive to pay the money owing if they still will receive a concession on goods.				
Recommendation				
All companies/persons should be check before receiving a concession for any duties owing to TCIG and made to pay.				
Action Plan				
Person Responsible	Collector Of Customs	Estimated Date	Completion	
The Collector of Customs administers concessions under sections 69 of the Customs Ordinance. These concessions are prescribed by the 2010 General Tariff Order. They are predetermined and each section has its own qualifying criteria. I regret to inform that nowhere in the Tariff does it stipulate that the beneficiary must be in good financial standing. Furthermore, the Customs Department would not have a record of the arrears of other government departments.				
However this is a great suggestions and we can certainly implement this, but it will take the cooperation of the other departments, therefore this may not happen for another few months.				
Detailed Findings Reference: B5-1 TO B5-3		Page B5-1-B5-3		

Weakness in the inspection of goods brought in under concessions

Issue #2 - Weakness in the inspection of goods brought in under concessions				
Rank	CONTROL DEFICIENCY		RANK	HIGH
Criteria Encouragement of Development Ordinance (2009) Section 7 C) Permit the Collector of Customs or any person authorised by him at any reasonable time to inspect such record and to examine any such articles for the purpose of satisfying himself of the accuracy of the particulars in relation to such article contained in such record.				
Condition The NAO requested all the reports for inspections carried out during the period 1 st April, 2011 to 31 st March, 2014. Two reports were provided for review. Review of the two inspection reports revealed the following (Ref # A12, A13): <ul style="list-style-type: none">No record of the duty exempted items was provided to the Customs Officers by the Developer.The Customs report did not mention that the goods were marked as required by the Encouragement for Developments Ordinance 7 (b).No review was carried out to ascertain with any of the exempted item were disposed or sold. NAO observed an inspection visit on 02/05/2014 and noted the following: <ul style="list-style-type: none">No format for conducting the inspections.There were no marking of the exempted items.No record of the duty exempted items was provided by the Developer. The above clearly showed a lack of organization and clear guidelines to follow in inspecting exempted items. Due to the lack of records maintained by the Developers and the inspecting officer’s lack of knowledge and experience of the inspection procedures the spot check to verify the goods received under concessions was not completed.				
Risk Companies may bring in items for the purpose of resale or for the benefit of relatives and friends to bypass payment of duties or to increase their overall profit.				
Impact Loss revenue because items are being sold before the specified period without being declared.				
Recommendation Develop clear guidelines and instructions for persons delegated to carry out the development spot checks. Have a timetable created to ensure that they are done on regular bases. Training in the field is also needed.				
Action Plan				
Person Responsible	Collector Of Customs	Estimated Date	Completion	
Due to limited resources there have not been as many Collector’s inspections as we would desire. Managers will meet shortly to derive a proper procedure as per the Legislation.				
Detailed Findings Reference:A12, A13		Page A12,A13		

Excess expenditure for certain accounts

Issue 1- Excess Expenditure for certain accounts.			
Rank	SIGNIFICANT DEFICIENCY	Risk	Moderate
<p>Criteria</p> <p>The Turks and Caicos Islands Constitution Order 2011(the Constitution) 117 states that,</p> <p>117.—(1) Where, in exceptional circumstances, at the close of accounts for any financial year it is found that moneys have been expended on any expenditure in excess of the amount appropriated for it by an Appropriation Ordinance or a Supplementary Appropriation Ordinance or for a purpose for which no moneys have been voted and appropriated, the amount of the excess expended, or not appropriated, as the case may be, shall be included in a statement of expenditure in excess.</p> <p>(2) The Minister of Finance shall lay every statement of expenditure in excess before the House of Assembly, which shall refer it to the Public Accounts Committee of the House, and the Minister shall at the same time send a copy of the statement to the Governor.</p> <p>(3) The Public Accounts Committee shall report to the House of Assembly on a statement of expenditure in excess referred to it under subsection (2) within six months after the statement is referred to it.</p> <p>(4) Where on receiving any report of the Public Accounts Committee issued under subsection (3) the House of Assembly, by means of a resolution, allows the excess or the amount expended but not appropriated to stand charged to public funds, the sum required to meet that excess or such amount as shall be allowed shall be included in a Supplementary Appropriation Bill for appropriation.</p> <p>PFMR 48. An Accounting Officer shall—</p> <p>(a) control and oversee the expenditure in respect of any service under his or her control;</p> <p>(b) ensure that the provision for that service as authorised by a warrant is not exceeded, and he or she shall be held personally and pecuniary responsible for any excess expenditure which is incurred without proper authority.</p> <p>Best practice required that any estimated adjusted during the year should be adjusted in the Accounting Systems. This control will prevent cost centre from exceeding their budgetary allocation.</p> <p>49. Where any further disbursements are required in respect of a service which—</p> <p>(a) could not have been foreseen;</p> <p>(b) may not be postponed without detriment to the public interest;</p> <p>(c) cannot appropriately be charged to an existing item of the estimates; or</p> <p>(d) would cause an excess on the estimates, prior approval for authority to incur such expenditure shall be sought.</p> <p>(2) Where expenditure cannot be met by virements within the vote from items with savings, then provision for supplementary funds shall be sought, in which case an application for supplementary funds may be made to the Permanent Secretary, Finance.</p> <p>(3) Applications for supplementary provision shall be reviewed by the Permanent Secretary, Finance and submitted to the Minister for consideration; and if after examination and, where necessary, consultation with the Accounting Officer concerned, the need for the supplementary provision is agreed, the amounts of such provision shall be included by the Minister in supplementary estimates to be submitted to the House of Assembly for appropriation by a Supplementary Appropriation Ordinance.</p>			

(4) Notwithstanding that supplementary estimates may have been submitted to the House of Assembly for approval, no action shall be taken by any Accounting Officer which creates a commitment on public funds before the House of Assembly approval is obtained.

50. (1) The Permanent Secretary, Finance has discretionary powers to vary the amount allocated within a vote, provided that—

- (a) the total amount authorised by the House of Assembly for that vote in an Appropriation Ordinance is not exceeded;
- (b) the variation is not so large or important as to represent a change in policy;
- (c) the changes made are not novel or contentious;
- (d) any virements made will from the outset not involve heavy liabilities in future years;
- (e) the variation does not relate to personnel emoluments; and
- (f) the variation is within the same vote.

(2) All virements within a Vote shall be the subject of an application for virements addressed to the Permanent Secretary, Finance—

- (a) showing the amounts involved;
- (b) identifying the items where extra provision is required;
- (c) identifying, where appropriate, any delegated authority for the re-allocation;
- (d) giving appropriate explanation for the shortfall in the original provision;
- (e) clearly identifying the items with the anticipated savings; and
- (f) giving appropriate explanations and the reasons for the savings being available.

(3) In order to ensure that the savings identified are genuine, items from which funds have been transferred will no longer be eligible for the provision of additional funds by a Supplementary Appropriation Ordinance or subsequent virements.

(4) On approval of an application by the Permanent Secretary, Finance under this Regulation, a warrant for virements within a vote shall be issued to the Accountant General and copied to the Accounting Officer and Auditor General.

(5) Expenditure on the item which has had its available funds increased by the warrant shall at all times remain within the limits of any warrant currently in force.

(6) A schedule of all virements approved under this Regulation shall be laid before the House of Assembly not less than two times during the financial year.

PFMR 51. (1) The House of Assembly has the right to approve expenditure of public moneys prior to it being incurred, and has an equal right to investigate the reasons behind any failure of an Accounting Officer to comply with this legal requirement, and it is the duty of each Accounting Officer to attend personally before the House of Assembly when required to do so and provide explanations to the issues raised.

PFMR 51 (3) Within four months after the close of each financial year, the Accountant General shall cause to be prepared schedules showing the net excess expenditure incurred on each item of the estimates during that financial year; and the schedules shall be laid before the House of Assembly at its next meeting for consideration

PFMR 29. (1) The purposes of expenditure under each head and the services to be provided under it must be outlined in a preamble to the head, which forms the ambit of the relevant vote.

(2) The ambit of a vote sets out a formal description of the nature of the transactions to be financed from the vote, and the wording of the ambit is incorporated in the annual Appropriation Ordinance and therefore provides the statutory description in that Ordinance of the purpose for which the funds sought in the estimate are granted.

(3) By virtue of sub-regulation (2) of this Regulation—

(a) no expenditure may be charged to a head which does not fall within the ambit of a vote;

(b) the Appropriation Ordinance shall not be used to extend the statutory functions of a Ministry, or department; and

(c) expenditure on a new transaction which is outside the ambit of a vote shall not proceed unless the approval of House of Assembly is obtained through a Supplementary Estimate which proposes to change the ambit as necessary.

(4) Each estimate shall state the Ministry or department and the Accounting Officer responsible for accounting for the Vote and set out the gross provision sought in the estimates by item; this is because although the House of Assembly approves expenditure by vote it controls it by item.

Condition

1. The following Ministries and Departments had excess expenditure for 2013-2014

Min	Prog	Description	Estimate SmartStream	Actual	Diff \$	Diff. %
6	14	Audit Department		(310.78)	310.78	
7	24	Gaming Inspectorate		140.00	(140.00)	
16	87	Labour Tribunal	305,293.06	318,628.95	(13,335.89)	(4.37)
51	60	Prison Services	2,027,522.97	2,206,357.01	(178,834.04)	(8.82)
51	86	Agricultural Department	482,885.12	490,022.68	(7,137.56)	(1.48)
52	45	EMS - Mechanical Services	533,550.88	541,564.22	(8,013.34)	(1.50)
52	81	EMS _ Project Management	332,266.03	338,315.72	(6,049.69)	(1.82)
54	17	Budget Office	195,740.96	206,322.76	(10,581.80)	(5.41)
54	21	Treasury Department	1,232,215.85	1,298,175.55	(65,959.70)	(5.35)
54	121			460.00	(460.00)	
55	32	National HIV Prevention Unit	285,215.08	293,878.69	(8,663.61)	(3.04)
55	89	Special Needs Unit	1,246,430.19	1,262,415.77	(15,985.58)	(1.28)
55	107	Emergency Medical Services	518,779.80	545,471.43	(26,691.63)	(5.15)
56	2	Human Resource Directorate	588,618.89	595,213.55	(6,594.66)	(1.12)
56	7	Unallocated Staff	277.02	5,256.63	(4,979.61)	(1797.56)
56	92	House of Assembly	2,361,475.00	2,429,803.26	(68,328.26)	(2.89)
57	36	Education Administration - Zone 1	343,161.05	347,439.94	(4,278.89)	(1.25)
					(425,723.48)	

2. There were 36 accounts within various Ministries and departments totalling \$104,477 that did not have

estimated but expenditure was posted against them in contravention of PFMR 29.

3. There were 532 accounts within various Ministries and Departments totalling \$1,432,107 that were in excess of the amount allocated by the Appropriation Ordinance 2013-2013 and Supplementary Appropriations 2013-2014, contravention of PFMR 51 (1).
4. The statement of excess expenditure was not laid on the Table at the House of Assembly within four months after the close of the financial year as required by PFMR 51 (3). The Table below shows the net excess expenditure for 2013-2014. There was one Ministry that had excess expenditure.

MINISTRY	ESTIMATES	ACTUAL	VARIANCE
01	3,316,760.35	2,846,158.80	470,601.55
03	21,006,561.11	20,432,202.17	574,358.94
04	11,312,292.45	10,763,696.17	548,596.28
05	5,710,817.91	3,649,244.29	2,061,573.62
06		(310.78)	310.78
07	2,868,722.01	2,779,767.24	88,954.77
14	25,061,098.95	21,478,093.82	3,583,005.13
16	5,836,719.21	5,546,109.59	290,609.62
51	7,684,562.65	7,470,060.73	214,501.92
52	14,197,908.75	13,870,202.14	327,706.61
54	11,282,260.89	10,716,393.01	565,867.88
55	56,282,650.25	55,654,711.19	627,939.06
56	3,891,287.98	3,916,555.26	(25,267.28)
57	21,562,927.98	21,319,027.78	243,900.20
58	1,264,598.16	1,186,790.89	77,807.27
Grand Total	191,279,168.65	181,628,702.30	9,650,466.35

Cause

Noncompliance with PFMR 29, 48 and 51.

No penalties for incurring excess expenditure.

Effect or potential effect

Excess expenditure.

Excess expenditure without approval.

Recommendation

Accounting Officers should comply with PFMR 29, 48 and 51. Expenditure should be managed so that ministries and departments do not incur expenses in excess of authorized amounts.

Action Plan

Person Responsible	PS, Finance Accountant General Accounting Officers	Estimated Completion Date
Management Response		

Detailed Findings Reference:	
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Expenditure Arrears Management

Issue1 # Expenditure Arrears Management

Rank	SIGNIFICANT DEFICIENCY	RANK	MODERATE
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Criteria

Best practice requires that organisations monitor and manage their payments, this includes following up with vendors to ensure that invoices are received and paid within thirty days of receipt of the invoice. This also includes the monitoring of commitments/POs to ensure that all POs were matched with invoices and for those invoices that did not match with POs an officer should follow-up with vendors to obtain invoices.

Condition

Review was carried out on the expenditure arrears for 2013-2014 and the following were noted:

1. The total expenditure arrears for 2013-2014 were \$1,577,098.86.

Min	Description	Arrears
1	Governor's Office	1,300.00
3	Police	56,603.00
4	Attorney General's Office	354,911.00
5	Judiciary	1,590.00
16	Min of Border Control & Labour	31,431.00
51	Min of Environment & Home Affairs	12,104.00
52	Min of Government Support Services	333,518.00
54	Min of Finance, Trade & Investment	594,134.00
55	Min of Health & Human Services	126,665.00
56	Office of the Deputy Governor	17,502.00
57	Min of Education, Youth Sports & Culture	47,339.00
	Total SmartStream	1,577,097.00

2. The total for Ministry of Government Support Services was overstated by \$280,381.14 on Treasury Statements.
3. Actual expenditure and arrears was compared to the Appropriation for Ministries for 2013-2014 and the results are shown in Table 1. Four Ministries would have exceeded their budget allocation if all the expenditure incurred in 2013-2014 were paid in the year they were incurred.

Cause

Responsible officers may not have:

- Reconciled PO with payments to ensure that all commitments were paid.
- Followed up with suppliers to provide timely invoices after goods and services were received.
- Kept track of suppliers who do not require POs to request goods and services.
- Manipulation of payments to report good financial performance.

Effect or potential effect

- The obligation may have to be carried forward into current financial year.
- Excess expenditure where Ministries and Departments may not have budgeted for previous financial

year arrears. • Fund earmarked for the current year's expenditure having to be utilized to pay previous year bills.		
Recommendation		
Accounting Officers should ensure that POs are reconciled with payments to ensure that all commitments are paid. Further, responsible officer should follow up with vendors to ensure that all outstanding bills are submitted and paid. Payments should be made in the financial year in which they were incurred.		
Action Plan		
Person Responsible	Accounting Officer -	Estimated Completion Date
Management Response		
Detailed Findings Reference:		

Table 1 – Comparison of Actual plus Expenditure Arrears against Appropriation 2013-2014.

Description	Appropriation	Actual	Arrears	Actual +Arrears	Diff. (Actual+ Arrears & Estimates) \$	Diff. (Actual+ Arrears & Estimates) %
Governor's Office	3,316,760	2,846,159	1,300	2,847,459	469,301.	14
Police	21,006,561	20,432,202	56,603	20,488,805	517,756	2
Attorney General's Office	11,312,292.	10,763,696	354,911	11,118,607	193,685	2
Judiciary	5,710,818	3,649,244.	1,590	3,650,834	2,059,984	36
Audit		(311)		(311)	311	
Office of the Premier	3,391,686	2,779,767		2,779,767	611,919	18
Statutory Charges	25,061,099	21,478,094		21,478,094	3,583,005	14
Min of Border Control & Labour	5,836,719	5,546,110	31,431	5,577,541	259,178	4
Min of Environment & Home Affairs	7,684,561	7,470,061	12,104	7,482,165	202,396	3
Min of Government Support Services	14,197,909.00	13,870,202	333,518	14,203,720	(5,811	(0)
Min of Finance, Trade & Investment	10,973,142	10,716,393	594,134	11,310,527	(337,385)	(3)
Min of Health & Human Services	56,282,650	55,654,711	126,665	55,781,376	501,274	1
Office of the Deputy Governor	3,891,289	3,916,555	17,502	3,934,057	(42,768)	(1)

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Min of Education, Youth Sports & Culture	21,349,083	21,319,028	47,339	21,366,366	(17,284)	(0)
Office of the Director of Public Prosecution	1,264,598	1,186,791		1,186,791	77,807.	6
Total SmartStream	191,279,167	181,628,702	1,577,097	183,205,799	8,073,369	4

Expenditure by Ministries

Judiciary

Issue #1 - Purchase Orders were not used to request Goods and Services

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalized by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure requires officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review of transactions for financial years 2013/14 to ascertain whether POs were prepared to request goods and services revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	1,289,566.38	98	66,168	6

When asked, the Accounting Officer at Judiciary explained that emails and or telephone calls were used in place of a Purchase Orders.

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Lack of training for Data Entry Officers for matching POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request goods and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorized purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32 (5), ensuring that POs are issued to request goods and services.

Action Plan		
Person Responsible	David Chetwynd Accounting Officer - Judiciary	Estimated Completion Date
Management Response <p>This issue highlights a problem that I, as accounting officer, have raised both in relation to the old requirements and the new ordinance. I will not quote the requirements of the Ordinance they are set out in the document headed Vendor Audit. I will use a description of some of the work of the judiciary which I hope will illustrate the problem.</p> <p>The Constitution and the Jury Ordinance both require a jury to sit and decide the guilt or innocence of a person who is tried before the Supreme Court. For any offence involving murder or treason 12 jurors are required. For any other offence, 7 jurors are required.</p> <p>The jurors are selected from a jury list and come from all of the islands within the Turks and Caicos Islands. There are two trial venues, Providenciales and Grand Turk. Jurors travelling from say Provo to Grand Turk have their expenses paid and if they are required to stay away from home, their accommodation. All jurors receive a daily payment and all are provided with refreshments including lunch.</p> <p>At the start of proceedings a panel of jurors is assembled. The number of jurors in the panel will depend on the charges and the number of defendants. Each of the latter have the right to object to any five members of the panel. The Crown (Prosecution) also has a right of challenge.</p> <p>Bearing this in mind you might discern that when you have an “average” trial i.e. one involving a non-capital charge and one defendant, an initial jury panel must have a minimum of 17 jurors. This is to allow for at least 10 challenges. In practice the panel is larger. At this stage the names of the actual jurors who will try the case are not known. Names are drawn at random from a ballot box. If there is no challenge the juror can be sworn.</p> <p>It must also be bourn in mind that before the trial starts it is only possible to estimate how long it will last. That is something which can only be done with experience and even then can only be an educated guess. Generally speaking the estimate will be no more than a day or so out. However, there have been occasions when a trial has overrun by several weeks.</p> <p>That leaves you with an a number of jurors, an unknown number of whom may have to be accommodated or whose travel expenses you may have to pay, who will all have to be fed and paid a daily rate for an unknown number of days. You can only be sure that at least 7 (or 12 in a trial involving a capital offence) will be required for the duration of the trial.</p> <p>The problem referred to earlier is to whom and at what stage is or are PO’s issued to cover those jury costs? The Chief Justice and I have had discussions with the Accountant General and between us we hope to have worked out a reasonable procedure to deal with accommodation and meals so that in future they can be supported by PO’s.</p> <p>The PS Finance has recently written saying that the daily payments to jurors (or stipends) do not need to be supported by a PO.</p> <p>Take another example. Legal aid is paid to attorneys for representing defendants. Legal aid is paid from the judicial budget. The rates are set and are “published’. It is known that the attorney will generally be paid \$1200 as a brief fee (for preparation and first day of trial) and \$600 per day for every other day he spends in court. If the attorney is paid a full days fee in one case and appears in another on the same day he will only be paid half of the refresher fee (\$300) per day for that other case. An attorney will be reimbursed travelling fees if he is from Provo and is appearing in Grand Turk (or vice versa). What is not known until the trial is finished is how many days will be paid for and how many will be paid at half or full rate.</p> <p>Again, at what stage is a PO to be issued? As with the juror costs, the only time one can be issued is at the date the final amount is known. At that time payment is expected. Is it seriously suggested that both a PO and payment be authorised at the same time? Are they issued in respect of each juror and each supplier? Are they</p>		

issued for each day? No one has been able to offer advice and it is only recently that offers of meetings to discuss this issue have been forthcoming.

Again following discussions with the Accountant General it is now believed these can be treated as continuing contract obligations so that each payment need not be supported by a PO. [See also Issue 4]

Turning to the transactions involving government officials and accommodation, as no exact details are given it is difficult to know how to respond. I anticipate (from the reference to Emails and telephone calls) the payments relate to the Court of Appeal. There are three members of the Court of Appeal. Prior to my appointment they were accommodated at the Alexandra. They have three sittings per year each of approximately two weeks. The first sitting is more often than not in January, the second in April/May and the third September/October. However, the exact dates of the sittings are not always known (because of other commitments the Justices of Appeal have). On occasions the Justices have made bookings for the next session as they prepare to leave the current one. When exact dates are known a 'phone call or Email was often used to confirm the booking already made by the Appeal Justices...

We now try to issue PO's if there is certainty about the dates and length of stay.

However, at the last sitting in April/May of this year we could not issue PO's for accommodation for the Court of Appeal. When we tried to do so the appropriate account went into funds exception even though there appeared to be adequate funds in the account. If we had not previously built up a good working relationship with the hotel concerned we might well have had to do the unthinkable, cancel the sitting.

In a nutshell, the problem the Judiciary has with trying to comply with the exact requirements of the Procurement Ordinance is that we are demand led. We are obliged to provide our services as and when they are required. We are unable to define the exact extent of those services and thus the cost until we have already provided them. We are quite often unable to issue PO's for external resources we use until after we have incurred the cost. This is an issue which is recognised by the Judiciary and one which has been brought to the attention of the other arms of Government by the Judiciary. I do not know if the problem was raised by my predecessors, I can only speak to my time in the Judiciary.

Detailed Findings Reference:

Issue #2 - Some transactions did not have supporting attachments thus, no proof that entries were authorized, certified true and correct before payments were made.

Rank	CONTROL DEFICIENCY	RISK	LOW
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Criteria

According to PFM Regulations, section 76(1), all payments shall be made in accordance with instructions issued by the Accountant General. Based on previous precedent, it is mandatory that all invoices/ attachments/ supporting documents be appropriately authorized and certified true and correct before payment is made. This should be done by lawful persons (lawful persons include public officers authorized by the Accountant General and Accounting Officers).

Condition

Review of transactions for financial years 2013 to ascertain whether: they had been certified 'true and correct'- denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	1,289,566.38	98	10,795.00	2

The review also revealed that above transactions did not have attachments to support payments.

Thirdly, an attempt was made to retrieve all missing attachments. (I.e. those invoices that we were unable to open *as well as* those supporting documents/invoices that were not attached to the entry on Smart Stream.) Initially, both I and J Drive were the scanned (this is where supporting documents are electronically maintained). Having been unsuccessful in the retrieval of these documents a further check was made at the Judiciary dept. The table below shows the remaining transactions with missing attachments after this visit to Judiciary dept.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	1,289,566.38	98	*10,795.00	2*

*There were two transactions that had partial supporting documents

Cause

The cause of the above condition may be a resultant from non-compliance with payment procedures in respect of certifying payments true and correct; and furthermore, a lack of training in the payment procedures process.

Effect or potential effect:

Three potential effects include: TCIG may have paid for goods and services that were not supplied; TCIG may not have gotten value for money for the goods and services supplied; and thirdly lack of review of invoices may result in duplicate payments.

Recommendation

It is recommended that proper records of invoices and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.

Action Plan

Person Responsible	David Chetwynd, Accounting Officer	Estimated Completion Date
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Management Response

Without further information it is difficult to effectively respond to those matters that are raised under Issue 2. I understand the issue being raised in relation to the first table is that there were some 4 examples (from a

sample of 42) of transactions which had not been certified as “true and correct”. That does surprise me because the requirement for certification is understood by me and my staff. If I am not available or the transaction involves re-imbursement to me, the Chief Justice is available to certify an invoice or other documentation. Without knowing the full details I am unable to investigate why the requirements were not adhered to.

As for the second and third tables, these show transactions without attachments to support payment. It seems there were two transactions which only had partial documentation. Again without knowing the full details I can offer no explanation as to what, if anything, went wrong.

As for errors before my appointment as Registrar I can only assume the system broke down during some of my predecessor’s absences due to ill health. There were also times when my predecessor was based mainly in Provo and it was no doubt difficult to supervise payments.

Detailed Findings Reference:

Issue #3 - Transactions approved by the same person at both levels

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

- Review of the approval register revealed that the Ministry did not have financial limits assigned to their approvers.
- There were 16 single transactions that were approved by the same person at more than one level.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	1,289,566.38	98	185,130.38	16

Cause

- Non-compliance with PFMR 72 (2).
- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.
 - iv. False expense claims or fictitious invoices being paid.
 - v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve

payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	David Chetwynd, Accounting Officer	Estimated Completion Date
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Management Response

This issue arises quite simply because of the limited number of staff we have. There were times when an approver was on leave and that meant the remaining approver approved at both levels. We have recently engaged a new member of staff who will hopefully be accepted as a level one approver. She has experience of the Government accounting scheme. However she will still require SmartStream training and approval. It took nearly 9 months for my own SmartStream training to be arranged and so if that sort of delay is encountered we may still have problems. We are also investigating the possibility of having an approver at both levels in Provo Registry. These measures should alleviate any future problems.

Detailed Findings Reference:

Ministry of Border Control

Issue #1 – Purchase Order were not used to purchase goods and services

Rank	CONTROL DEFICIENCY	RISK	LOW
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Criteria

. The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalized by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review of SmartStream transactions to ascertain whether purchase orders were issued to request goods and services from vendors revealed the following:

Table 1

Year	Sample No.	Sample \$	No. of No POs	\$ of PO
2013	57	1,124,281.06	3	30,600.00

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Lack of training for Data Entry Officers for matching POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request goods and services from an authorised officer.

Effect or potential effect:

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorized purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32 (5), ensuring that POs are issued to request goods and services.

Action Plan

Person Responsible	Accounting Officer Clara Gardiner	Estimated Completion Date
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Accepted. Procedures have been put in place to ensure that improvements in this area will continue to a level when there are zero occurrences.

Detailed Findings Reference:

Issue #2 – Transactions approved by the same person at both levels

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

1. Review of the approval registers for 2013 revealed that the Ministry and Departments did not have financial limit for their approvers.
2. Review of SmartStream transactions revealed the following:

Table 2

Year	Sample No.	Sample \$	No. of Approved at Both levels	\$ of Approved at Both Levels
2013	57	1,124,281.06	7	126,782.20

Cause

- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - vi. Related party transactions.
 - vii. Excess expenditure due to overpayments of vendors.

- viii. Beneficiary may approve their own payment.
- ix. False expense claims or fictitious invoices being paid.
- x. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer Clara Gardiner	Estimated Completion Date
The recommendation of the Audit is accepted. Given the lean nature of the Ministry, approvers were assigned in a manner to minimize disruptions when substantive approvers are away on leave or performing other official duties away from the office.		
Detailed Findings Reference:		

Issue #3 – Invoice certifications were not duly and competently performed.**Rank****CONTROL DEFICIENCY,****RISK****MODERATE****Criteria**

The PFM Regulations, Section 72(4) states that “A public officer who approves a payment voucher or electronic documentation shall ensure that:-

- a) *The services specified in the payment voucher or electronic documentation have been duly and competently performed;*
- b) *The prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates;*
- c) *Authority has been obtained as quoted;*
- d) *The calculations and castings have been verified and are arithmetically correct;*
- e) *The classification of the expenditure and any deduction are correct;*
- f) *There are sufficient funds uncommitted in the relevant expenditure sub head to meet the expenditure;*
- g) *The persons named in the voucher are those entitled to receive payment; and*
- h) *Any supplies purchased have been taken on charge or issued for immediate use.*

The above check is evidenced by the officer certify each bill ‘true and correct’, signing and dating the invoice.

Condition

Review of the transactions for compliance with PFM Regulations, Section 72(4) revealed the following:

Table 5

Year	Sample No.	Sample \$	No. of bill not certified “true and Correct’	\$ of bill not certified ‘true and correct’
2013	57	1,124,281.06	8	85,523.39

Cause

- Non- compliance with payment procedures.
- Lack of training in the payment procedures.
- Circumvention of control.

Effect or potential effect:

- Good or services may not have been received.
- The Ministry may have paid inflated invoices.
- Payment of fictitious invoices.
- Overspending of invoices
- Possible related party transactions.
- Late payment of invoices resulting in incurring penalties such as late payment fees.

Recommendation

Accounting Officers should ensure that responsible officers follow PFMR Section 72(4).

Action Plan

Person Responsible	Accounting Officer Clara Gardiner	Estimated Completion Date
The recommendation of the Audit is accepted. Systems have been implemented to address this issue.		
Detailed Findings Reference:		

Issue #4 – Excessive Utility Bill Payments at the Detention Camp**Rank****MATERIAL WEAKNESS****RISK****LOW****Criteria**

Best practice requires that responsible officers make payments on original invoices after ensuring that the obligation to pay exists. Further, claim for reimbursements should be accompanied with receipts as evidence of the amount paid on behalf of TCIG.

According to PFM Regulations section 72(4); A public officer who approves a payment voucher or electronic documentation shall ensure that:-

b) the prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates;

(g) the persons named in the voucher are those entitled to receive payment;

Condition

Payments were made for utilities such as electricity to Land Lord without receiving evidence that the amounts were paid to the utility company. The total paid to the land lord were:

- 2013 – \$37,549.90.

Further, it was noted that of Invoices with excessive/irrational bill payments had no utility bills attached to them. In other words, there were transactions where all the supporting documents weren't attached.

Table 6

Year	Sample	Sample \$	No Supporting Electricity Bill #	No Supporting Electricity Bill \$
2013	57	1,124,281.06	2	68,202.32

Review of electrical bills and the bill from the land lord revealed the following:

- All the electrical bills were not attached to the SmartStream invoice. Therefore, were unable to compare the total paid to the land lord with the amount the land lord paid to the utility company.

Cause

- Non-compliance with PFMR 72(4).
- Control weakness in the payment process.

Effect or potential effect:

- Excess expenditure.
- Overpayment of expenses.
- Misappropriation of funds.

Recommendation

The Accounting Officer should ensure that responsible officers comply with PFMR 72 (4), ensuring that reimbursements/claim are not paid unless they are accompanied with sufficient evidence that the expense was

paid.

Action Plan

Person Responsible	Accounting Officer Clara Gardiner	Estimated Completion Date
<p>Table 6 is suggestive that all of the contents therein relate only to electricity bills at the detention center and by extension could be misleading.</p> <p>The responsible officer noted that the established arrangement did not lend itself to adequate controls and took the decision to only pay the direct cost of electricity. The landlord was notified of the new process via email dated January 13, 2012. Likewise, only the current charges reflected on the electricity bill were being paid to the landlord. Having entered into a lease agreement with the landlord, the transfer of the utility account to TCIG is in process.</p> <p>The recommendation of the audit is accepted and steps have been taken to correct it.</p>		
Detailed Findings Reference:		

Office of the Governor

Issue #1 - Purchase Orders were not used to request Goods and Services

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalized by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review was carried out of all transactions for financial year 2013, to ascertain whether procurement was formalized by issuing POs revealed the following:

Table A – Payments Under \$5,000.

Year	Transaction \$	Transaction #	Exception \$	Exception #
2013	\$120,682.45	377	55,155.44	100

Table B – Payments over \$5,000

Year	Transactions \$	Transactions #	Exception \$	Exception #
2013	1,454,153.59	34	14,271.74	2

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Lack of training for Data Entry Officers for matching POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorized purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance

Section 32, ensuring that POs are issued to request goods and services.

Action Plan

Person Responsible	Accounting Officer James Astwood	Estimated Completion Date 13/11/2014
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Management Response:

Lack of training with attaching purchase orders to invoices. This have since has been rectified with training offered by the Treasury.

Detailed Findings Reference:

Issue #2 - Transactions that are not certified true and correct.**Rank****CONTROL DEFICIENCY,****RISK****MODERATE****Criteria**

According to PFMO, section 29(1)

No payment shall be made for goods supplied, services rendered or work done, whether under a contract or not, in connection with any part of the public service, unless in addition to any other vouchers or certificate that is required, the accounting officer or any other officer authorised by him or her certifies-

- (a) That the goods have been supplied, the service rendered or the work performed, as the case may be, and that the price charged by the contract, is reasonable; or
- (b) Where payment is to be made before delivery of the goods, rendering of the service or completion of the work, as the case may be, that the payment is in accordance with the contract.

The certification should be done by lawful persons (lawful persons include public officers authorized by the Accountant General and Accounting Officers).

Condition

Review of transactions for financial years 2013, to ascertain whether, they had been certified 'true and correct' revealed the following:

Table C – Payments under \$5,000.

Year	Transaction \$	Transaction #	Exception \$	Exception #
2013	\$120,682.45	377	41,993.26	135

Table D – Payments over \$5,000

Year	Transaction \$	Transaction #	Exception \$	Exception #
2013	1,454,153.59	34	101,044.36	16

Cause

- Non-compliance with PFMO 29 (1).
- Approvers were not trained on PFMO 29 certification of payments.

Effect or potential effect:

- TCIG may have paid for goods and services that were not supplied;
- TCIG may not have gotten value for money for the goods and services supplied;
- Invoices may not have been reviewed before they were paid which may result in duplicate payments.

Recommendation

The Accounting Officer should ensure that payments are certified and approvers are informed and trained on the certification of payments process.

Action Plan

Person Responsible	Accounting Officer James Astwood	Estimated Completion Date 13/11/2014
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Management Response:

He Governor's office was at fault with this and is now making every effort to make sure that the invoices are " certified true and correct"

Detailed Findings Reference:

Issue #3 - Beneficiary approving their own payments**Rank****CONTROL DEFICIENCY,****RISK****MODERATE****Criteria**

Best practice requires organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances.

Further, best practice advises that employees should not be permitted to approve their own expenses. This control weakness may leave the organisation vulnerable to employee fraud.

Condition

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$120,682.45	377	12,058.44	36

Cause

- Weak segregation of duty and authorization controls where officers are able to review, certify, authorize and approve their own payments in SmartStream.
- Lack of training for reviewer, authorizers and SmartStream approvers of risk and internal controls within the payment process.

Effect or potential effect:

Fraud may be committed by:

- Altering receipts or invoices.
- Submitting personal expenses as business related.
- Submitting receipts or bills from closed or non-existing establishments.
- This may result in significant losses and TCIG may not be able to recoup the funds.

Recommendation

Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments.

Action Plan

Person Responsible	Accounting Officer James Astwood	Estimated Completion Date 13/11/2014
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Management Response:

Some departments do not have other senior level Officers to approve reimbursements if it is for the Officer which caused problem in the past. We have since then rectified this in Governor's Office by getting approval from the Accountant General to let the Assistant Accountant General approve invoices for the Accounting Officer/HOD's so that there is clear transparency.

Detailed Findings Reference:

Issue #4 - Transactions approved by the same person on both levels

Rank	CONTROL DEFICIENCY,	RISK	LOW
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Criteria

According to PFM Regulations, section 72 (2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

1. Review of the approval registers revealed that the Ministry did not have financial limits assigned for approvers.
2. Review of the transaction \$5,000 and over revealed the following:

Year	Transaction \$	Transactions #	Exception \$	Exception #
2013	1,454,153.59	34	21,295.58	1

Cause

- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - xi. Related party transactions.
 - xii. Excess expenditure due to overpayments of vendors.
 - xiii. Beneficiary may approve their own payment.
 - xiv. False expense claims or fictitious invoices being paid.
 - xv. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer.

Further, responsible officers should be trained to identify and manage the risk associated with the payment

process.

Action Plan

Person Responsible	Accounting Officer James Astwood	Estimated Completion Date 13/11/2014
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Management Response

The Governor's Office/Departments have a separate data entry, first level and second level approvers to avoid this from happening.

Detailed Findings Reference:

Issue #5 - Mis-Posting**Rank****CONTROL DEFICIENCY,****RISK****MODERATE****Criteria:**

The Public Finance Management Regulations (PRMR) 2012 Section 72 (4) A public officer who approves a payment voucher or electronic documentation shall ensure that:

- (e) The classification of the expenditure and any deduction are correct.
- (f) There are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$120,682.45	377	12,592.93	66

Cause:

- Non- compliance with the Public Finance Regulations 2012 Section 72 (4) E and F.
- Lack of in-house training for staff members.

Effect or potential effect:

- Excess expenditure.
- Misleading budgets.

Recommendation

Accounting Officers must comply with PFMR 72 (4) ensuring that expenditure is posted to the appropriate account.

Action Plan

Person Responsible	Accounting Officer James Astwood	Estimated Date	Completion
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Management Response:

I am in agreement with this recommendation.

Detailed Findings Reference:

Issue # 6 - Related Party Transaction**Rank****CONTROL DEFICIENCY****RISK****LOW****Criteria:**

Code of Conduct chapter 3 Section (23) States that senior Officers must comply with the provision of Integrity Commission Ordinance relating to declarations and section 145 of the Public Services Ordinances, and the Public Service Handbook in relation to handling conflict of interest. They must avoid both actual and an apparent conflicts between their private interests and their official functions that may impact on the efficient and effective performance of their duties. Where a conflicts of interest giving rise to the actual or apparent conflict or take alternative steps agreed with their permanent Secretary (or Deputy Governor if the relevant public officer is a permanent Secretary) to prevent such a conflict. If in doubt the relevant officer should seek the guidance of the Integrity Commission.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$120,682.45	377	1,300.00	1

Cause

- Non- compliance with the Code of Conduct 2012 Section 3 (23), Public Service Ordinance 145 and the Public Service Handbook.
- Lack of in-house training for staff members.

Effect or potential effect:

- Nepotism
- Favouritism.
- Loss of competitiveness.
- Value for money issues.

Recommendation

Accounting Officers must comply with the Code of Conduct chapter 3 Section (23) in relation to related party transactions. Further, Section 145 of the Public Services Ordinances and the Public Service Handbook requires officers to declare any conflict of interest.

Officers must avoid both actual and an apparent conflict between their private interests and their official functions.

Persons who are not complying should be penalized.

Action Plan

Person Responsible	Accounting Officer James Astwood	Estimated Completion Date
Management Response: I am in Agreement with this recommendation		
Detailed Findings Reference:		

Attorney General's Chambers

Issue #1 – Beneficiary approving own payment.**Rank****CONTROL DEFICIENCY****RISK****HIGH****Criteria**

Best practice requires organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances.

Further, best practice advises that employees should not be permitted to authorise their own expenses.

Condition

During review of transactions for financial year 2013/14 to ascertain whether TCIG Officials were approving their own payments the following was noted:

Transaction under \$5,000

Year	Sample Size	Sample Amount	Exceptions	Exceptions \$
2013	246	\$475,439.60	18	14,162.06

Transactions over \$5,000

Year	Sample Size	Sample Amount	Exceptions	Exceptions \$
2013	254	\$10,742,604.84	1	\$5,000.00

Cause

- Weak segregation of duty and authorization controls where officers are able to review, certify, authorize and approve their own payments in SmartStream.
- Lack of training for reviewer, authorizers and SmartStream approvers of risk and internal controls within the payment process.

Effect or potential effect:

Fraud may be committed by:

- Altering receipts or invoices.
- Submitting personal expenses as business related.
- Submitting receipts or bills from closed or non-existing establishments.
- This may result in significant losses and TCIG may not be able to recoup the funds.

Recommendation

Accounting Officers must ensure that they implement adequate controls to prevent persons from

approving their own payments.			
Action Plan			
Person Responsible	Accounting Officer R Braithwaite-Knowles	Estimated Date	Completion
Management's Response			
Detailed Reference			

Issue #2 – Transactions approved by the same person at both levels.

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFM Regulations, section 72(2) states “An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

- Review of the approval registers revealed that the Ministry did not have financial limited for approvers.
- Review of transactions for financial years 2013/14 revealed the following:

Transactions under \$5,000

Year	Sample Size	Sample Amount	No. Double Approvals	Double Approvals \$
2013/14	246	\$475,439.60	1	\$330.00

Transactions \$5,000 and over

Year	Sample Size	Sample Amount	No. Double Approvals	Double Approvals \$
2013	254	\$10,742,604.84	14	\$1,634,216.58

Cause

- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.

- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.
 - iv. False expense claims or fictitious invoices being paid.
 - v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer R Braithwaite-Knowles	Estimated Completion Date
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Management's Response

Detailed Findings Reference:

Issue #3 - Purchase Orders were not used to request Goods and Services

Rank	CONTROL DEFICIENCY	RISK	HIGH
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *"The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price."* Further, TCIG's purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review of transactions less than \$5,000.00 for financial years 2013/14 to ascertain whether POs were prepared to request goods and services revealed the following:

Transaction under \$5,000

Year	Sample Size	Sample Amount	Exceptions	Exception Amount
2013/14	246	\$475,439.60	52	\$49,900.16

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers must ensure that the responsible officers use Purchase Orders for requesting services and goods when applicable. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer R Braithwaite-Knowles	Estimated Completion Date
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Management Response

Detailed Findings Reference:

Issue #4- Duplicate Payments

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFM Regulations section 72(4); A public officer who approves a payment voucher or electronic documentation shall ensure that:-

(a) the services specified in the payment voucher or electronic documentation have been duly and competently performed; (b) the prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates; (c) authority has been obtained as quoted; (d) the calculations and castings have been verified and are arithmetically correct; (e) the classification of the expenditure and any deduction are correct; (f) there are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure; (g) the persons named in the voucher are those entitled to receive payment; and (h) any supplies purchased have been taken on charge or issued for immediate use.

Condition

Review of transactions less than \$5,000.00 for financial year 2013/14 revealed the following:

Year	Sample Size	Sample amount	Exception	Exception Amount
2013/14	246	\$475,439.60	4	\$13,263.60

Cause

Duplicate payments usually result when responsible officers fail to review invoices before input into SmartStream.

Effect or potential effect:

Excess expenditure.

Overpayment of vendors.

Loss due to TCIG being unable to recoup the overpayment.

Inaccurate forecasting because the actual spent for the prior year may not have been accurate.

Recommendation

Accounting Officers and other authorised personnel should adhere to section 72(4) of the Public Finance Management Regulation (PFM). Responsible officers should ensure that all invoices are reviewed before they are entered into SmartStream in order to reduce the risk of making duplicate payments.

Action Plan

Person Responsible	Accounting Officer R Braithwaite-Knowles	Estimated Completion Date
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Detailed Findings Reference:	
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Issue #5 - Payments were not certified true and correct.**Rank****CONTROL DEFICIENCY,****RISK****MODERATE****Criteria**

PFM0 29. (1) No payment shall be made for goods supplied, services rendered or work done, whether under a contract or not, in connection with any part of the public service, unless in addition to any other voucher or certificate that is required, the accounting officer or any other officer authorised by him or her certifies—

(a) that the goods have been supplied, the service rendered or the work performed, as the case may be, and that the price charged by the contract, is reasonable; or

(b) where payment is to be made before the delivery of the goods, rendering of the service or completion of the work, as the case may be, that the payment is in accordance with the contract.

This is evidenced by authorised officers writing on invoices 'true and correct' and signing.

It has been the practice in TCIG to have sufficient and appropriate documents attached to the SmartStream invoice as evidence that the expenses was incurred and that it was incurred on behalf of TCIG.

Condition

Review of transactions for financial year 2013/14 to ascertain whether they had been certified 'true and correct'- denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Year	Sample Size	Sample amount	Exception	Exception Amount
2013/14	246	\$475,439.60	213	\$412,633.30

Cause

Non-compliance with PFM0 29 (1).

A lack of training of responsible officers in the payment procedures process, specifically in respect of certifying payments true and correct.

No review of SmartStream invoices before they are approved.

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Double commitment may lead to excess expenditure.

Payments may have been made to the wrong vendor.

Recommendation

Accounting Officers must ensure that invoices are certified 'true and correct' and signed by responsible officers and that all SmartStream invoices have attachments. Accounting Officers must also ensure that review is carried out of all payments before they are approved.

Action Plan**Person Responsible**

Accounting Officer
R Braithwaite-Knowles

Estimated Completion Date**Management Response**

Detailed Findings Reference:

Issue #6 – Invoices not bearing evidence of having been checked for calculations where applicable.**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

According to PFM Regulations section 72(4); *a public officer who approves a payment voucher or electronic documentation shall ensure that: (a) the services specified in the payment voucher or electronic documentation have been duly and competently performed; (b) the prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates; (c) authority has been obtained as quoted; (d) the calculations and castings have been verified and are arithmetically correct; (e) the classification of the expenditure and any deduction are correct; (f) there are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure; (g) the persons named in the voucher are those entitled to receive payment; and (h) any supplies purchased have been taken on charge or issued for immediate use.*

Condition

Transactions were tested for 2013. The aim of this test was to examine the accuracy of invoices regarding pricing, quantities and also legitimate charges where applicable. Also to examine if correct payments were made to vendors.

During review of payments to ascertain whether invoices attached were accurate regarding calculations the following was noted:

Year	Sample Size	Sample Amount	Exceptions	Exceptions \$
2013	254	\$10,742,604.84	14	\$1,490,009.27

The SmartStream invoices totalled more than the invoice attached, and in some cases there were no supporting documents attached to check and compare with payments. Significant transactions are as follows:

DATE	M	P	A/C	YEAR	PD	DESCRIPTION	AMOUNT
17/04/2013	4	2	34305	2013	1	SIDLE00001 33012719 payment for professional services	71,125.09

Payment to Sidley Austin LLP for professional services Re: Statement of fees and expenses. Consultants were paid by the hour, Invoice listed total amount of hours worked 137.70, after checking back the Invoice, total amount of hours were found to be 81.50. Invoice was overstated by \$25,240.95. Payment was approved by SACOALBROOKE and RABRAITHWAITE.

The National Audit Office addressed this issue with AG's Chambers and the explanation given was that a page from the invoice attached on SmartStream was missing which caused the calculated figure seemed incorrect. The correct Invoice was provided to the NAO.

1.

DATE	M	P	A/C	YEAR	PD	DESCRIPTION	AMOUNT
17/04/2013	4	12	38029	2013	1	PATRP00002 10113 PROFESSIONAL SERVICES	65,193.25

Payment to Patrick Patterson for professional services Re: General matters civil asset recovery. Mr Patterson's invoice total was overstated by \$9,143.25. Payment was approved by SACOALBROOKE and RABRAITHWAITE.

The National Audit Office addressed this issue with AG's Chambers and they will bring this to the Vendor's attention and deduct from the next submitted bill.

DATE	M	P	A/C	YEAR	PD	DESCRIPTION	AMOUNT
04/07/2013	4	1 2	38029	2013	4	EDWAA00001 20060700 PROFESSIONAL SERVICES	17,331.20

Payment to Edwards Wildman Palmer UK LLP for professional services Re: Emerald Cay. Invoice total \$5,308.70 and payment amount \$17,331.20. Overpayment of \$12,022.50. This payment is also a duplicate of the transaction below.

The National Audit Office addressed this issue with AG's Chambers and they said that this was already brought to the Vendor's attention and the funds were deducted from a bill already.

DATE	M	P	A/C	YEAR	P D	DESCRIPTION	AMOUNT
04/07/2013	4	12	38029	2013	4	EDWAA00001 20060735 professional services	17,331.20

Cause

Officers did not comply with the PFM Regulations section 72(4).

Officers were not applying the review and recalculate controls when processing invoices to ensure that invoices are reviewed before they are entered on the system.

Effect or potential effect:

Money payments can be illegally transferred or diverted by making false invoices, wrong invoice totals or duplicate payments. Also Invoices can be falsified or duplicated in order to generate a false

payment. Over payments and duplicate payments can exhaust the Government's funds and result in a loss; also the vendor gets paid more than the goods/services rendered and paid twice. While some of these wrong/duplicate payments are later discovered through the kindness of honest vendors, many are found through expensive recovery audits or remain hidden and are never resolved.

Recommendation

Accounting Officers must ensure that there is proper record keeping and that the necessary steps are taken in the payment process. It is important to take proactive steps and introduce additional controls to avoid over payments or duplicate payments. Accounting Officers must also ensure that proper checks on invoices are done before making payments.

Action Plan

Person Responsible	Rhondalee Braithwaite-Knowles Accounting Officer	Estimated Completion Date
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Management's Response

Response – There was no instance when proper records were not kept and available to the NAO. In the one case cited, the omission of a page on SmartStream was easily rectified by paper records showing that there was in fact no disparity between the amount paid and the amount charged. In the second case, the error was already picked up and in the third; the error was flagged with the vendor.

The recommendation is noted and accepted and more care will be taken to ensure that calculations are carefully monitored to ensure accuracy.

Detailed Findings Reference:

Office of the Director of Public Prosecutions

Issue #1 – Beneficiary approving own payment.				
Rank	CONTROL DEFICIENCY		RISK	HIGH
Criteria Best practice requires organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances. Further, best practice advises that employees should not be permitted to authorise their own expenses.				
Condition During review of transactions of financial year 2013/14 to ascertain whether TCIG Officials were approving their own payments the following was noted:				
Year	Sample Size	Sample Amount	Exceptions	Exceptions \$
2013-2014	419	\$266,377.50	36	3,959.98
Cause Weak segregation of duty and authorization controls where officers are able to review, certify, authorize and approve their own payments in SmartStream. Lack of training for reviewer, authorizers and SmartStream approvers of risk and internal controls within the payment process.				
Effect or potential effect: Fraud may be committed by: <ul style="list-style-type: none">• Altering receipts or invoices.• Submitting personal expenses as business related.• Submitting receipts or bills from closed or non-existing establishments. This may result in significant losses and TCIG may not be able to recoup the funds.				
Recommendation Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments. Responsible officers should have training in risk and controls in the payment process.				
Action Plan				
Person Responsible	Accounting Officer			Estimated Completion Date
Management’s Response: We have verified our records and acknowledge that records reflect beneficiary approving own expense. This irregularity was based on lack of information and simple				

oversight and as soon as it was brought to our attention, we have been consistent in ensuring separate approval of expenses.

Detailed Reference

Issue #2 – Transactions authorized by the same person on both levels.**Rank****CONTROL DEFICIENCY****RISK****LOW****Criteria**

The PFM Regulations section 72(2) that says, “An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised”.

TCIG standard number of Approvers for SmartStream payments are two, level one and level two. The two levels of approval are to facilitate the review of payments to ensure that they are in compliance with the PFMO, PFMR and PPO before they are processed. The requirement is that the officers should be different individuals to prevent any one person from having total control over a transaction. Having segregation of duty controls in any process creates a system of check and balances.

Condition

1. Review of the approval registers revealed that the Ministry did not have financial limited for approvers.
2. Review of transactions for financial years 2013/14 revealed the following:

Year	Sample Size	Sample Amount	No. Double Approvals	Double Approvals \$
2013/14	419	\$266,377.50	4	\$430.00

POs were not prepared for two of the payments that were approved by the same person at both level one and two.

Cause

- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.

- ii. Excess expenditure due to overpayments of vendors.
- iii. Beneficiary may approve their own payment.
- iv. False expense claims or fictitious invoices being paid.
- v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
Management's Response: We have verified our records and acknowledge that the transactions were approved by the same person. It is a mystery how that happened, as normally access is not granted to second approver on Smart Stream system until 1 st approver has signed off. It is noted and will ensure continued compliance.		

Detailed Findings Reference:

Issue #3 - Purchase Orders were not used to request Goods and Services

Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review of transactions for financial years 2013/14 to ascertain whether POs were prepared to request goods and services revealed the following:

Year	Sample Size	Sample Amount	Exceptions	Exception Amount
2013/14	419	\$266,377.50	139	\$77,342.16

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response: We acknowledge that at the time of the creation of the Office of the Director of Public Prosecutions, we were not fully informed of the appropriate process and unfortunately did not implement the purchase order requirement when requesting good/services. As soon as this was brought to our attention, we have adopted the appropriate system and have been in compliance since April 2014.

Detailed Findings Reference:

Issue #4 - Payments were not certified true and correct and no attachment to SmartStream Invoices.**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

PFMO 29. (1) No payment shall be made for goods supplied, services rendered or work done, whether under a contract or not, in connection with any part of the public service, unless in addition to any other voucher or certificate that is required, the accounting officer or any other officer authorised by him or her certifies—

(a) that the goods have been supplied, the service rendered or the work performed, as the case may be, and that the price charged by the contract, is reasonable; or

(b) where payment is to be made before the delivery of the goods, rendering of the service or completion of the work, as the case may be, that the payment is in accordance with the contract.

This is evidenced by authorised officers writing on invoices 'true and correct' and signing.

It has been the practice in TCIG to have sufficient and appropriate documents attached to the SmartStream invoice as evidence that the expenses was incurred and that it was incurred on behalf of TCIG.

Condition

Review of transactions for financial year 2013/14 to ascertain whether they had been certified 'true and correct'- revealed the following:

Year	Sample Size	Sample amount	Exception	Exception Amount
2013/14	419	\$266,377.50	286	\$220,386.82

The review also revealed that there were transactions that did not have attachments to support payments.

Year	Sample Size	Sample Amount	Exception	Exception Amount
2013/14	419	\$266,377.50	19	\$5,325.57

Cause

Non-compliance with PFMO 29 (1).

A lack of training of responsible officers in the payment procedures process, specifically in respect of certifying payments true and correct.

No review of SmartStream invoices before they are approved.

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Double commitment may lead to excess expenditure.

Payments may have been made to the wrong vendor.

Recommendation

Accounting Officers must ensure that invoices are certified 'true and correct' and signed by responsible officers and that all SmartStream invoices have attachments. Accounting Officers must also ensure that review is carried out of all payments before they are approved.

Action Plan		
Person Responsible	Accounting Officer	Estimated Completion Date
Management Response: We have verified our records and acknowledge that although accounting officer has signed the invoices, the words “Approved as true and correct” were not included. This will be rectified in all future approvals as will ensure that all invoices are attached to SmartStream as attachments.		
Detailed Findings Reference:		

Office of the Premier

Issue #1 - Purchase Orders were not used to request Goods and Services

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review of transactions for financial year 2013, to ascertain whether POs were prepared to request goods and services revealed the following:

Table A – Payments Under \$5,000.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	131,875.34	57	27000.50	12

Table B – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$74,935.65	11	25,117.75	4

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance

Section 32 (5), ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response

The Ministry have committed to ensure that Purchase Orders are prepared in advance of all procurement exercise. In regard to the Procurement of tickets, it should be noted that during this period, Ministry of Finance spearheaded the purchasing of all tickets on behalf of all Ministry's and Departments.

We suspect that the MoF had a call-off arrangement with the vendors and as such the Ministry was not mandated to provide Purchase Orders.

Detailed Findings Reference:

Issue #2 - Transactions that are not certified true and correct.

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFRM Ordinance section 29 (1) (a, b)) and (2)

(1) No payment shall be made for goods supplied, services rendered or work done, whether under a contract or not, in connection with any part of the public service, unless in addition to any other voucher or certificate that is required, the accounting officer or any other officer authorized by him or her certifies—

(a) That the goods have been supplied, the service rendered or the work performed, as the case may be, and that the price charged by the contract, is reasonable; or

(b) Where payment is to be made before the delivery of the goods, rendering of the service or completion of the work, as the case may be, that the payment is in accordance with the contract.

(2) Where in respect of any contract under which a cost audit is required to be made, the Accountant General reports that any cost or charges claimed by the contractor should not, in his or her opinion, be allowed, such costs or charges shall not be allowed to the contractor unless the Minister otherwise directs in writing and such direction shall, subject to any commercial-in-confidence issues, be published in the Gazette.

Condition

Review of transactions for financial years 2013 to ascertain whether, they had been certified 'true and correct'- denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Table C – Payments under \$5,000.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$131,875.34	57	\$28,274.54	13

Table D – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	74,935.65	7	\$53,425.15	4

Cause

Non-compliance with PFMR 76(1) and FI 5(2).

A lack of training in the payment procedures process.

Controls

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Recommendation			
Accounting Officers must ensure that authorized officers check and certified invoices 'true and correct' before payments are made.			
Action Plan			
Person Responsible	Accounting Officer	Estimated Date	Completion
Management Response <p>We note the recommendations from the Audit Department; we had interpreted the Ordinance to mean that once a signature was on the receipt by an approved officer, this was sufficient as being certified. Consequently, we had ensured that all the receipt were signed by myself and or a delegated officer after being checked, but unfortunately did not thought to include the wordings "Certified True and Correct"</p> <p>Going forward, the Office of the Premier will purchase a stamp with the wording "Certified True and Correct" and ensure that in addition to signatures, all receipts would be stamped.</p>			
Detailed Findings Reference:			

Issue #3 - Beneficiary approving their own payments

Rank	CONTROL DEFICIENCY	RISK	HIGH
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Criteria

Best practice requires organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances.

Further, best practice advises that employees should not be permitted to authorise their own expenses.

Condition

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$131,875.34	57	\$2,477.06	1

For the above transaction the beneficiary approved subsistence at both level one and level two.

Cause

Weak segregation of duty and authorization controls where officers are able to review, certify, authorize and approve their own payments in SmartStream.

Lack of training for reviewer, authorizers and SmartStream approvers of risk and internal controls within the payment process.

Effect or potential effect:

Fraud may be committed by:

- Altering receipts or invoices.
- Submitting personal expenses as business related.
- Submitting receipts or bills from closed or non-existing establishments.

This may result in significant losses and TCIG may not be able to recoup the funds.

Recommendation

Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments. Responsible officers should have training in risk and controls in the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

I acknowledge the error in the decision, which more likely was an oversight. we have since implemented a rigid

procedure whereby the Accountant General signs off as second approver on all payment from which the Accounting Officer have an interest and have since put another officer on second level approval.

Detailed Findings Reference:

Issue #4 - Transactions approved by the same person at both levels

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

1. Review of the approval registers revealed that the Ministry did not have financial limits for approvers.

2. Review of the transaction Under \$5000.00 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$131,875.34	57	\$18,753.13	8

Review of the transaction \$5,000 and over revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$74,935.65	7	\$23,682.25	3

Cause

- Non-compliance with PFMR 72(2).
- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.
 - iv. False expense claims or fictitious invoices being paid.
 - v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) ensuring that persons authorized to approve payments are

assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
Management Response Management acknowledges the issue raised by the Auditor and acknowledges that there were instances where the Accounting Officer approved on both levels. There were instances where the first level was in Cabinet or out of Office. The Accounting Officer had proceeded to approve on second level and where the first level had automatically approved by the same person. The Office of the Premier accept responsibility and have since put measure in place to address the issues by training and placing more persons on both the first and second level approvals.		
Detailed Findings Reference:		

Issue #5 - Bills not approved for payment**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

The PFM Regulations section 72(2) that says, "An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised."

Best practice requires authorised officers to approved payments before they are entered into the accounting system. This facilitates the review process and allows responsible officers to ensure that funds are available to cover the expenditure.

Condition

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$131,875.34	57	40,454.89	17

Cause

Non-compliance with PFMR 72(2) and best practice.

Lack of in-house training for staff members;

Circumventing of the review, authorization and approval controls.

Effect or potential effect:

Weak review, authorization and approval controls may lead to:

- Duplicate payments,
- Excess expenditure,
- The potential misuse or abuse of funds.

Recommendation

Accounting Officers and other authorised personnel should adhere to section 72(2) of the Public Finance Management Regulation (PFM) and ensure that review, authorization and approval controls are employed.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management

We note the recommendations from the Audit Department; as mentioned, we had interpreted the Ordinance to mean that once a signature was on the receipt by an approved officer, this was sufficient as being certified.

Going forward, the Office of the Premier will purchase a stamp with the wording "Certified True and Correct" and ensure that in addition to signatures, all receipts would be stamped.

Detailed Findings Reference:

Issue # 6 - Contravention of Appropriation Ordinance

Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
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Criteria:

Public Finance Management Ordinance section 26 (1) states that where in exceptional circumstance, at the close of accounts for any financial year it is found that moneys have been expended on any expenditure in excess of the amount appropriated for it by an appropriation or a Supplementary Appropriation Ordinances or for a purpose for which no moneys have been voted appropriated, the amount of the excess expended, or not appropriated as the case may be, shall be included in the statement of expenditure in excess.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$131,875.34	57	4,514.99	2

Cause

Non-compliance with PFMO Section 26 (1)
Lack of in-house training for staff members.

Effect or potential effect:

- Excess expenditure without approval.

Recommendation

- Permanent Secretaries must ensure that all legal requirements are satisfied relating to the control and authorization of public expenditure. Any non-compliance could result in the accounting officer being liable for unauthorized expenditure.
- TCIG should ensure that their use of resources is properly authorized and controlled. Expenditure should be incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. Effective control over expenditure must be maintained at all stages supported by an appropriate accounting system.
- Expenditure should be authorized in the operational area which entered into the commitment, with due consideration to separation of duties.
- Desk instruction covering both the arrangement for entering into commitments and for approving and processing the resultant payment (i.e. both purchasing and budgetary authority) should be put in place at operational area level.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response

Management acknowledges that there were areas of over expenditure that could have resulted in expenditure being committed in anticipation of a supplement or Virement. Measures are put in place to ensure that going forward there will be NO expenditure committed without the virements or supplement approve where there is no or insufficient budget.

Detailed Findings Reference:

Issue #7 - Related Party Transactions

Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
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Criteria:

Code of Conduct chapter 3 Section (23) States that senior Officers must comply with the provision of Integrity Commission Ordinance relating to declarations and section 145 of the Public Services Ordinances , and the Public Service Handbook In relation to handling conflict of interest. They must avoid both actual and an apparent conflicts between their private interests and their official functions that may impact on the efficient and effective performance of their duties. Where a conflicts of interest giving rise to the actual or apparent conflict or take alternative steps agreed with their permanent Secretary (or Deputy Governor if the relevant public officer is a permanent Secretary) to prevent such a conflict. If in doubt the relevant officer should seek the guidance of the Integrity Commission.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$131,875.34	57	1,500	1

Officer approved payment for himself and a family member.

Cause

Non- compliance with the Code of Conduct 2012 Section 3 (23)

Lack of in-house training for staff members.

Effect or potential effect:

1. Nepotism
2. Favouritism

Recommendation

Code of Conduct chapter 3 Section (23) States that senior Officers must comply with the provision of Integrity Commission Ordinance relating to declarations and section 145 of the Public Services Ordinances , and the Public Service Handbook In relation to handling conflict of interest.

They must avoid both actual and an apparent conflict between their private interests and their official functions. All governments' officials should adhere to and comply with the Ordinances and Regulation. Persons who are not adhering and complying should be penalized for such action.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

I acknowledge the error in the decision, which more likely was an oversight. As mentioned above , we have since implemented a rigid procedure whereby the Accountant General signs off as second approver on all payment from which the Accounting Officer have an interest and have since put another officer on second level approval. In regards to family members we have since put measure in place to address same.

Detailed Findings Reference:

Ministry of Health

Issue #1 - Purchase Orders were not used to request Goods and Services

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Condition

Review of transactions for financial year 2013, to ascertain whether POs were prepared to request goods and services revealed the following:

Table A – Payments Under \$5,000.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$747,040.74	521	\$656,729.03	499

Table B – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$43,389,229.34	161	\$182,500.00	36

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan		
Person Responsible	Accounting Officer	Estimated Completion Date
Management Response Weekly checks are being done to reduce the number of invoices being placed on SmartStream without the use of the purchase order. The 'no purchase orders 'no pay' policy is being strictly enforced. Persons who are none compliant where situations can be avoided are to be strictly held accountable for the payment of goods or services. The Ministry of Health is also ensuring that staff new staff this includes Heads of Department and also administrative staff are trained and have access to the Public Finance Ordinance, the Procurement Ordinance and the Public Services Handbook to ensure that they are fully away of Government accounting system and the effect of noncompliance on Government accounts and best practices.		
Detailed Findings Reference:		

Issue #2 - Transactions were not certified true and correct.

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFRM Ordinance section 29 (1) (a, b)) and (2)

(1) No payment shall be made for goods supplied, services rendered or work done, whether under a contract or not, in connection with any part of the public service, unless in addition to any other voucher or certificate that is required, the accounting officer or any other officer authorized by him or her certifies—

(a) That the goods have been supplied, the service rendered or the work performed, as the case may be, and that the price charged by the contract, is reasonable; or

(b) Where payment is to be made before the delivery of the goods, rendering of the service or completion of the work, as the case may be, that the payment is in accordance with the contract.

(2) Where in respect of any contract under which a cost audit is required to be made, the Accountant General reports that any cost or charges claimed by the contractor should not, in his or her opinion, be allowed, such costs or charges shall not be allowed to the contractor unless the Minister otherwise directs in writing and such direction shall, subject to any commercial-in-confidence issues, be published in the Gazette.

Condition

Review of transactions for financial years 2013 to ascertain whether, they had been certified 'true and correct'-denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Table C – Payments under \$5,000.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$747040.74	521	142,394.67	174

Table D – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$43,389,229.34	161	46,602.21	3

Cause

Non-compliance with PFMR 76(1) and FI 5(2).

A lack of training in the payment procedures process.

Controls

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Recommendation

It is recommended that proper records of invoices and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Management agrees with the recommendation made. HoD's are made aware that all payments should be certified for payment. These are crossed checked and closely monitored on smart stream by the treasury personnel.

Detailed Findings Reference:

Issue #3 - Beneficiary approved their own payments**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

Best practice requires organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances.

Further, best practice advises that employees should not be permitted to approve their own expenses. This control weakness may make the organisations vulnerable to risk of employee fraud.

Condition

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$747,040.74	521	\$3,694.72	2

Cause

Non-compliance with the Financial instructions Chapter 5 (1) and PFMR 72(2).

Lack of in-house training for staff members with a concentration in the approval process on Smart Stream and; Circumventing of the segregation of duty controls.

Effect or potential effect:

- Altering receipts or invoices.
- Submitting personal expenses as business related.
- Submitting receipts or bills from closed or non-existing establishments.
- This may result in significant losses and TCIG may not be able to recoup the funds

Recommendation

Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments.

Detailed Findings Reference:

Issue #4 - Transactions were approved by the same person on both levels

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

1. Review of the approval register revealed that the Ministry did not have financial limits for approvers.
2. Review of the transaction \$5,000 and over revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$43,389,229.34	161	\$5,499,074.18	10

Cause

- Non-compliance with PFMR 72(2).
- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.
 - iv. False expense claims or fictitious invoices being paid.
 - v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer.

Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Management acknowledges the issues raised by the Auditor and acknowledges that there were occasions where the same person approved on both levels. This has happened at times when the second level person approves the first levels automatically approved and also situations where there were no first level approved available. The Ministry of Health takes fully the recommendation made by the Audit Report and has put mechanism in place to ensure that there are sufficient persons on both first and second approval levels to ensure that this does not occur.

Detailed Findings Reference:

Issue #5 – Transactions were Mis-Posted**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria:**

The Public Finance regulations 2012 Section 72 (4) A public officer who approves a payment voucher or electronic documentation shall ensure that:

(e) The classification of the expenditure and any deduction are correct.

(f) There are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$747,040.74	521	22,229.28	39

Cause:

Non- compliance with the Public Finance Regulations 2012 Section 72 (4) E and F.

Lack of in-house training for staff members.

Mis-postings put the Government at risk for expenditure wastage.

Effect or potential effect:

Mis-posting will lead to:

1. Excess expenditure

Recommendation

Personnel in authority are responsible for renewing all contracts that are not up to date, and not leaving these contracts to continuing without renewing them. The Public Procurement Ordinance 2012 Section 50 (PPO) which is outline above in the criteria section.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Not sure if the recommendation is for the issues #5 Mis-posting. Heads of Department did not have a proper understanding in the past and they are now informed of the proper processes including the use of virements and supplements.

Detailed Findings Reference:

Issue # 6 - Contravention of Appropriation Ordinance**Rank****SIGNIFICANT DEFICIENCY****RISK****HIGH****Criteria:**

Public Finance Management Ordinance section 26 (1) where, in exceptional circumstance, at the close of accounts for any financial year it is found that moneys have been expended on any expenditure in excess of the amount appropriated for it by an appropriation or a Supplementary Appropriation Ordinances or for a purpose for which no moneys have been voted appropriated, the amount of the excess expended, or not appropriated as the case may be, shall be included in the statement of expenditure in excess.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$747,040.74	521	94,661.21	69

Cause

Non- compliance with the Code of Conduct 2012 Section 26 (1)
Lack of in-house training for staff members.

Effect or potential effect:

1. Expenditure has significant impact on the budget because, in aggregate, they reduce revenues by a sizable amount.
2. There should be segregation of duties.
3. Fraudulent activities can occur.
4. Duplicate payments will exist.

Recommendation

- Permanent Secretaries must ensure that all legal requirements are satisfied relating to the control and authorization of public expenditure. Any non-compliance could result in the accounting officer being liable for unauthorized expenditure.
- TCIG should ensure that their use of resources is properly authorized and controlled. Expenditure should be incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. Effective control over expenditure must be maintained at all stages supported by an appropriate accounting system.
- Expenditure should be authorized in the operational area which entered into the commitment, with due consideration to separation of duties.

- Desk instruction covering both the arrangement for entering into commitments and for approving and processing the resultant payment (i.e. both purchasing and budgetary authority) should be put in place at operational area level.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response

Management fully agree with the recommendation made by the Audit Department. Heads of Department did not have a proper understanding in the past and they are now informed of the proper processes including the use of virements and supplements.

Detailed Findings Reference:

Issue # 7 - Duplicate Payments**Rank****SIGNIFICANT DEFICIENCY****RISK****MODERATE****Criteria:**

According to PFM Regulations section 72(4); A public officer who approves a payment voucher or electronic documentation shall ensure that:-

- (a) the services specified in the payment voucher or electronic documentation have been duly and competently performed;
- (b) The prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates;
- (c) Authority has been obtained as quoted;
- (d) The calculations and castings have been verified and are arithmetically correct; (e) the classification of the expenditure and any deduction are correct;
- (f) There are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure;
- (g) The persons named in the voucher are those entitled to receive payment; and
- (h) Any supplies purchased have been taken on charge or issued for immediate use.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$747,040.74	521	748.30	1

Cause

1. Control are lacking
2. The master vendor system files need to be updated.
3. Where there is no Purchases Order process in place
4. Check Requests submitted before receiving an invoice
5. Having duplicate vendors in the vending system

Effect or potential effect:

1. Lost revenue – drain on profits accumulates over time
2. Perceived inefficiency in handling volume of payables
3. Inadequate controls and system weaknesses are evident
4. Embarrassment for lack of ability to establish effective safeguards

Recommendation

Accounting Officers and other authorised personnel should adhere to section 72(4) of the Public Finance Management Regulation (PFMR) which is outline above in the criteria section. It is also important for officers to check then recheck payments before they are actually made in order to reduce the risk of making duplicate payments.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
Management Response <p>In investigating the issues Management notice that the payments identify as Duplicate payment was a payment to Provo Travel. The Payment was not place on the system by the Ministry of Health or was it approved by the Ministry of Health. However we accept the responsibility because it is a payment made under the Ministry of Health and Human Services. Possible duplication may have occurred in that the invoices had different invoice numbers and dates with these two variables not being the same smart stream allowed without alerts that the payment was a duplicate. Management agrees with the recommendation made that payments should be checked and rechecked and they will be knowledgeable of this in the future.</p>		
Detailed Findings Reference:		

Royal Turks and Caicos Island Police Force

Issue #1 - Purchase Orders were not used to request Goods and Services

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Based on best practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between \$0- \$75000 with the exception of monthly utilities and rents.

Condition

Review of transactions for financial year 2013, to ascertain whether POs were prepared to request goods and services revealed the following:

Table A – Payments Under \$5,000.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$450,927.76	194	\$165,635.04	57

Table B – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	988,304.87	134	271,877.75	37

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.

- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32 (5), ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Agreed. The RTCIPF have fully implemented using Purchase Orders.

Roles and responsibilities of Approvers are clearly defined.

Detailed Findings Reference:

Issue #2 - Transactions that are not certified true and correct.**Rank****CONTROL DEFICIENCY****RISK****HIGH****Criteria**

According to PFM Regulations, section 76(1), all payments shall be made in accordance with instructions issued by the Accountant General. Based on previous precedent, it is mandatory that all invoices/ attachments/ supporting documents be appropriately authorized and certified true and correct before payment is made. This should be done by lawful persons (lawful persons include public officers authorized by the Accountant General and Accounting Officers).

Condition

Review of transactions for financial years 2013 to ascertain whether, they had been certified 'true and correct'- denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Table C – Payments under \$5,000.

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$450,927.76	194	242,090.47	77

Table D – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	988,304.87	134	467,353.60	16

Cause

Non-compliance with PFMR 76(1) and FI 5(2).
A lack of training in the payment procedures process.
Controls

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;
TCIG may not have gotten value for money for the goods and services supplied;
Lack of review of invoices may result in duplicate payments.

Recommendation

It is recommended that proper records of invoices and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.

Action Plan**Person Responsible****Accounting Officer****Estimated Completion Date****Management Response**

Agreed. Personnel are adhering to financial instructions, as there is a greater understanding and awareness.

Detailed Findings Reference:

Issue #3 - Beneficiary approving their own payments**Rank****CONTROL DEFICIENCY****RISK****HIGH****Criteria**

Best practice requires organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances.

Further, best practice advises that employees should not be permitted to approve their own expenses. This control weakness may make the organisations vulnerable to risk of employee fraud.

Condition

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	450,927.76	194	1,525.00	1

Cause

Weak segregation of duty and authorization controls where officers are able to review, certify, authorize and approve their own payments in SmartStream.

Lack of training for reviewer, authorizers and SmartStream approvers of risk and internal controls within the payment process.

Effect or potential effect:

Fraud may be committed by:

- Altering receipts or invoices.
- Submitting personal expenses as business related.
- Submitting receipts or bills from closed or non-existing establishments.

This may result in significant losses and TCIG may not be able to recoup the funds.

Recommendation

Accounting Officers must ensure that they implement adequate controls to prevent persons from approving their own payments. Responsible officers should have training in risk and controls in the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response

Agreed. Roles and responsibilities of Approvers are clearly defined.

Detailed Findings Reference:

Issue # 4 - Contravention of Appropriation Ordinance**Rank****SIGNIFICANT DEFICIENCY****RISK****HIGH****Criteria:**

Public Finance Management Ordinance section 26 (1) where, in exceptional circumstance, at the close of accounts for any financial year it is found that moneys have been expended on any expenditure in excess of the amount appropriated for it by an appropriation or a Supplementary Appropriation Ordinances or for a purpose for which no moneys have been voted appropriated, the amount of the excess expended, or not appropriated as the case may be, shall be included in the statement of expenditure in excess.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$450,927.76	194	17,541.80	8

Review of the transaction above revealed the following :

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$988,304.87	134	204,172.69	8

Cause:

Non- compliance with the Code of Conduct 2012 Section 26 (1)
Lack of in-house training for staff members.

Effect or potential effect:

- Expenditure has significant impact on the budget because, in aggregate, they reduce revenues by a sizable amount.
- There should be segregation of duties.
- Fraudulent activities can occur.
- Duplicate payments will exist.

Recommendation

- Permanent Secretaries must ensure that all legal requirements are satisfied relating to the control and authorization of public expenditure. Any non-compliance could result in the accounting officer being liable for unauthorized expenditure.
- TCIG should ensure that their use of resources is properly authorized and controlled. Expenditure should be incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. Effective control over expenditure must be maintained at all stages supported by an appropriate accounting system.
- Expenditure should be authorized in the operational area which entered into the commitment, with due consideration to separation of duties.

- Desk instruction covering both the arrangement for entering into commitments and for approving and processing the resultant payment (i.e. both purchasing and budgetary authority) should be put in place at operational area level.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Agreed. Commissioner of Police, the Accounting Officer, complies with regulations and Code of Conduct. Financial understanding is improving for all personnel.

Detailed Findings Reference:

Issue#5 - Invoices not approved for payment**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria:**

The PFM Regulations section 72 (2) that says, *“An accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Best practice required organisation to have adequate segregation of duty to ensure sufficient review is carried out of transactions and to prevent any one person from having total control over transactions. Having segregation of duty controls in any process creates a system of check and balances.

Best practice required that responsible officers authorised to approve payments write ‘approved for payments’ and sign and date each invoices.

Condition:

Review of the transaction under \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$450,927.76	194	17,541.80	8

Review of the transaction \$5,000.00 and above revealed the following :

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$988,304.87	134	204,172.69	8

Cause:

Non- compliance with the Financial Instructions chapter 5(1) and PFMR 72(2).

Lack of in-house training for staff members with a concentration in the approval process on Smart Stream and ;
Circumventing of the segregation of duty controls.

Effect or potential effect:

Weak authorization and approval controls may lead to:

- Duplicate payments.
- Excess expenditure due to overpayments of vendors.
- Related party transactions
- The possibility of persona approving payments beyond their limits.
- The potential misuse or abuse of funds.

Recommendation

Accounting officers and other authorised personnel should adhere to section 72(2) of the Public Finance Management Regulation (PFM) which is outline above in the criteria section.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Agreed. The RTCIPF is adhering to the Regulations as financial understanding and procedures have improved.

Detailed Findings Reference:

Issue # 6 - No Contracts**Rank****SIGNIFICANT DEFICIENCY****RISK****HIGH****Criteria:**

The Public Procurement Ordinance 2012 Section 50 requires:

- (1) An officer must ensure that a contract entered into on behalf of the government is evidenced in writing.
- (2) Except with the approval of the Governor, the initial period of a contract must not exceed five years.
- (3) The Governor must not give his or her approval except in exceptional circumstances and then only for a period not exceeding ten years.
- (4) A contract may provide for its extension for a period not exceeding five or, as the case may be, ten years.
- (5) However, any such contract must provide that any extension will only be granted if both parties agree and if any performance standards have been continuously met and that no major breaches of the terms and conditions of the contract have occurred.
- (6) Unless a contract is in a form previously approved by the Attorney General the form of a contract must be approved by the Attorney General before it is entered into.
- (7) Except with the approval of the Attorney General, an officer must not include in a contract a provision that has not previously been approved by the Attorney General for that type of contract or omit a provision from such a contract.
- (8) An officer must ensure, for payment purposes, that there is a Purchase Order in respect of a contract and, if relevant, a Cabinet Conclusion reference from the approval granted in the pre-procurement stage.
- (9) If, in respect of a contract, a department acts as agent for another department, an officer must ensure that any relevant Financial Instructions are followed.
- (10) An officer must ensure that a contract that may have an effect on government land including leased land is countersigned by the Permanent Secretary of the department that has responsibility for support services.

Condition:

Review of the transaction \$5,000 and over to ascertain whether contracts were prepared and executed where applicable revealed the following:

Review of the transactions above \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
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	2013	\$988,304.87	134	\$454,619.77	45
Cause					
Non- compliance with the Public Procurement Ordinance 2012 Section 50 (1) - (10). Lack of in-house training for staff members on the need for contract and PPO 2012.					
Effect or potential effect:					
No contracts, or no renewal of contracts may lead to: <ul style="list-style-type: none">○ Nepotism○ Favouritism Disputes may arise that may be costly and difficult to resolve. No way of measuring contract performance. No value for money. Cost overruns. Project not meeting time budgets.					
Recommendation					
Accounting Officers and Responsible Officers must ensure that contracts exist where required and that they are up to date as per the Public Procurement Ordinance 2012 Section 50 (PPO).					
Action Plan					
Person Responsible	Accounting Officer		Estimated Date	Completion	
Management Response					
The RTCIPF is developing a contract registry.					
Detailed Findings Reference:					

Issue # 7 - Transactions authorized by the same person on both levels**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria:**

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition:

1. Review of the approval register revealed that the Ministry did not have financial limits for approvers.
2. Review of the transactions \$5,000 and over revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	450,927.76	194	1,644.00	1

Cause:

- Non-compliance with PFMR 72(2).
- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.

- iv. False expense claims or fictitious invoices being paid.
- v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

This is no longer an issue as back-up approvers are available.

Detailed Findings Reference:

Office of the Deputy Governor

Issue #1 - Purchase Orders were not used to request Goods and Services

Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *"The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price."* Further, TCIG's purchasing procedure required officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Based on best practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between \$0- \$75000 with the exception of monthly utilities and rents.

Condition

Review of transactions \$5,000 and over for financial years 2011, 2012 and 2013 to ascertain whether POs were prepared to request goods and services revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	52,313.40	7	7,600.00	1

The following are the number of transaction per year that required POs and the number that did not have POs attached to the SmartStream transaction.

Year	\$	#	Exception \$	Exception #
2013	7,600.00	1	7,600.00	1

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
Management Response Criteria - Agree Condition – Agree.. Cause – Agree Effect of Potential Risk - Agree Recommendation - Agree		
Detailed Findings Reference:		

Issue #2 - Payments were not certified true and correct.

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

PFMO Section 29 (1)

No payment shall be made to goods supplied, services rendered or work done, whether under contract or not, in connection with any part of the public service, unless in addition to any other voucher or certificate that is required, the Accounting Officer or any other officer authorised by him or her certifies –

- (a) That the goods have been supplied, the services rendered or the work performed, as the case may be, and that the price charged by the contract, is reasonable; or
- (b) Where payment is to be made before delivery of the goods, rendering of the service or completion of the work, as the case may be, that the payment is in accordance with the contract.

Condition

Review of transactions \$5,000 and over for financial years 2013 to ascertain whether: they had been certified 'true and correct' - denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	52,313.40	7	15,385.20	2

Cause

Non-compliance with PFMO 29 (1).

A lack of training in the payment procedures process.

Circumvention of the review and recalculate controls.

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Recommendation

Accounting Officers must ensure that invoices are certified 'true and correct' and signed by responsible officers.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response**Criteria** – Agree**Condition** - Agree**Cause** – Agree**Effect of Potential Risk** - Agree**Recommendation** – Agree

It was my understanding and practice that certifying and dating the invoice next to the amount charged was sufficient to process invoices for payment. However, after discussion with the Audit Manager, I have been advised that 'true and correct' must be printed on the invoice to indicate that the charge has been reviewed and is correct. As such, I have informed all HOD's in the Office of the Deputy Governor that going forward they must adhere to the abovementioned process.

Detailed Findings Reference:

Issue #3 - Transactions authorized by the same person on both levels**Rank****CONTROL DEFICIENCY,****RISK****MODERATE****Criteria**

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

1. Review of the approval register revealed that the Ministry did not have financial limits for approvers.
2. Review of the transaction \$5,000 and over to ascertain whether adequate segregation of duty controls were employed over the payment process revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	52,313.40	7	8,000.00	1

Cause

- Non-compliance with PFMR 72(2).
- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.
 - iv. False expense claims or fictitious invoices being paid.
 - v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as

guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan		
Person Responsible	Accounting Officer	Estimated Completion Date
<p>Management Response Criteria – Agree Condition - Not Agree. Cause – Not Agree. Lack of training for staff on smart stream is an area of concern. However, in many instances the main issue is shortage of staff. Not having enough persons to effectively segregate the duties. Effect of Potential Risk – Agree Recommendation - Agree</p> <p>The majority of the issues regarding approval for 2012 and 2013 were highlighted in HRMD. These issues were previously highlighted as a weakness in the process and have since been addressed by training in smart stream, identifying persons to approve at the 1st and 2nd level and adding additional persons for redundancies.</p>		
Detailed Findings Reference:		

Issue #4 - Payments made without obtaining the requisite quotes**Rank****SIGNIFICANT DEFICIENCY****RISK****MODERATE****Criteria****Public Procurement Ordinance 2012**

32. (1) This section applies if the estimated value of a proposed contract is more than \$5000 but less than \$75,000.

(2) If an appropriate framework agreement or approved list is in place, an officer must use it as an alternative to the rules set out in this section.

(3) An officer must obtain at least three written quotations.

(4) The officer must retain on file full details of each quotation, including the supplier approached, the contact person and the quotation details.

(5) The officer must ensure that procurement is formalized by issuing a purchase order that details the exact nature of the goods or services purchased and the agreed price.

(6) Exceptionally, if an officer is of the opinion that it is not reasonably practicable to obtain competitive or sufficient competitive quotations as required under this section, the officer must follow the procedure for obtaining a waiver set out in section 21.

NB. Before the Procurement Ordinance there were the Financial Instructions and Financial Secretary Circulars which required officers to obtain quotes and prepare contracts for goods and services purchases.

Best practices require organizations to obtain quotes to:

- Ensure that the procurement activities are fair and competitive.
- Achieve value for money.
- Ensure purchasing activities are public definability

Condition

Quotes were not provided for the following transactions:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	52,313.40	7	7,600.00	1

Cause

Non –compliance with the PPO 2012 section 32 and best practice.

Lack of training in the purchasing process.

Effect or potential effect:

- Value for money may not have been obtained for goods purchased or services rendered.
- Inferior product or service may have been provided.
- Lack of quotations also reduces the level of competition thereby increasing the price TCIG would pay for the products and services offers.

Recommendation

Accounting Officers should ensure that quotes are obtained for good and services.

Action Plan**Persons Responsible****Accounting Officer****Estimated Completion Date****Management Response**

Criteria - Agree

Condition – Not Agree.

Cause – Not Agree. In many instances quotes were requested and provided as well as persons have been made

aware of the requirements for requesting quotes and/or procuring goods and services. Management has emphasized the importance of documentation and record keeping for audit purposes. However, lack of proper record keeping has continued to be an issue in some areas.

Effect of Potential Risk - Agree

Recommendation - I agree with the recommendation. Ultimately, the Accounting Officer is responsible for the overall financial management of the Ministry. However, the various Heads of Departments are primarily responsible for the day-to-day operations of their programs which include ensuring adherence to all policies and procedures.

Detailed Findings Reference:

Ministry of Finance

Issue #1 - Lack of and/or unable to view supporting documents

Rank	SIGNIFICANT DEFICIENCY	RISK	HIGH
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Criteria:

In accordance with best practice, all electronic invoices should be accompanied by an attachment (supporting document) which shows the supplier's information, the date, the invoice number, the nature of the payment, the description of the items and the amount due.

PFMR Section 77(4) states:

For the purposes of this regulation, a payment voucher or approved electronic documentation which is incomplete because its supporting documents are missing shall be regarded as a missing voucher.

Condition:

A total of 143 in 2013 were examined for the MOF totalling \$6,010,391.46. The tables below show where attachments/supporting documents were not present.

YEAR	# OF TRANSACTIONS WITH NO SUPPORTING DOCUMENTS ATTACHED	\$ AMOUNT
2013	16	\$1,565,042.00

Cause:

Lack of proper documentation being present for viewing on the electronic invoice may be as a result of improper training or the need for refresher training of data entry personnel and Managers/Heads of Departments not going through the proper checks before approving payments. This may also be as a result of computer/network malfunctions.

Potential Effect:

Approving payments where the proper documentation is not attached could result in fraudulent/fictitious payments being made. Numerous mistakes could also be made i.e. incorrect amount paid, incorrect Ministry and/or Department.

Recommendation

Relevant personnel should ensure that all proper documentation is attached to electronic invoices where applicable. Additionally, before payments are approved, approvers should ensure that all relevant support documents and other particulars of payments are attached and correct.

Action Plan

Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
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Management's Response:	
Detailed Findings Reference:	

Issue #2 - Circumventing the approval process

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria:

PFMR Section 72(2) and 72(3) states:

An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe the financial limits and other conditions within which the authority may be exercised.

The Accountant General and the Auditor General shall be –

- (a) Advised of the names of the public officers so designated and the financial limits within which they may exercise their authority,*
- (b) Provided with the specimen signatures of those public officers; and*
- (c) Advised when the authority of any public officer to sign payment vouchers or an electronic documentation is withdrawn.*

Condition:

- Review of the approval register revealed that the Ministry did not have financial limits for approvers.
- A sample of 143 transactions for MOF totalling \$6,010,391.46 were tested and the table below shows a break-down of those transactions with their monetary value that were approved at both first and second level by the same person..

YEAR	# OF DOUBLE APPROVALS	\$ AMOUNT
2013	16	\$306,264.34

Additionally, one transaction during the 2013 financial year had three levels of approval, first level approved by the Head of Department and the other two levels approved by the Permanent Secretary ('PS'). This transaction totalled \$100,232.75.

Cause:

Officers approving at both first and second level could result in instances of persons approving payments for which they are the beneficiary. Additionally, officers could be approving invoices that are erroneous i.e. no supporting documents attached, incorrect account code, department or amount if there is no first level approver to review the transaction.

Potential Effect:

Incorrect information being approved. Approving fraudulent or fictitious invoices.

Recommendation				
There should be adequate separation of duties within the approval process. Approving should be performed by different employees at different levels. One employee should not be approving at both levels.				
Action Plan				
Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
Management's Response:				
Detailed Findings Reference:				

Issue #3 - No Budgeted amounts for accounts, however actual expenditure incurred

Rank	MATERIAL WEAKNESS	RISK	MODERATE
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Criteria

PFMR Section 4(1)(2) and Section 40(1) states:

The Appropriation Ordinance, incorporating the approved estimate of expenditure, constitutes the means by which the House of Assembly exercises control over the expenditure of public moneys by the Government during the year to which the expenditure relates.

Upon the approval of the estimates and the enactment of the relevant Appropriation Ordinance, the expenditure for the year is held to be definitely arranged in accordance with the Votes and account classifications; and such expenditure –

- (a) Is to be limited by the provision in each item shown in the estimates of expenditure; and*
- (b) Can only be increased or varied by the House of Assembly or in accordance with the provisions of the Ordinance.*

Condition:

According to Smart Stream, a number of transactions tested during 2013 financial years for the Ministry of Finance showed that there were no amounts budgeted or uploaded to Smart Stream for specific accounts even though actual expenditure was incurred.

YEAR	DEPT.	ACCOUNT	SUB-ACCOUNT	ACTUAL AMOUNT
2013	111 – Ministry of Finance	42601 – Pmt. To Sub-Cont. for Build. & Con.	4838 – Provision for CDB Shares	\$70,370.30
	018 – Stra. Policy & Planning Unit	42601 – Pmt. To Sub-Cont. for Build. & Con.	4836 – EU Housing Initiative	\$96,699.54
	025 – Revenue Control Unit	32399 – Transport: Other		\$9,017.70
	019 – Customs Department	41101 – Const. & Renov. Build. & Structures	4870 – Const. Warehouse & Off Cust. GT	\$218,189.31
	021 – Financial Management	39801 – Prior Year Adjustments		\$5,616.00
	119 – TCInvest Banking Unit	39101 – Interest on Loans		\$64,886.48
	018 – Stra. Policy & Planning Unit	41101 – Const. & Renov. Build. & Structures	4832 – Bal. on Counterpart Contr. BNTF5	\$7,990.68

	018 – Stra. Policy & Planning Unit	42699 - All Other Service Payment	4927 - Carnival Infra. Projects	\$239,646.00
	018 – Stra. Policy & Planning Unit	42402 - Other Materials & Supplies	4836 - EU Housing Initiative	\$119,528.50
	105 – Trade Department	35804 – Subv. To Tourist Board		\$843,750.00
	025 – Revenue Control Unit	41105 – Purchase of Transport Equip.	5049 – Marek's Christmas Treats. Fos. Children	\$38,000.00

Cause:

Spending from accounts that have not been budgeted for and over expenditure can result from poor budgeting practices and/or a lack of proper training in the preparation of departmental budgets. This can also be as a result of unforeseen expenditure coming up during the financial year.

Potential Effect:

As a result of spending from accounts that have not been budgeted for, departments will be unable to control its expenses and may not be able to determine if they are on target. As a result of overspending TCIG can become bankrupt and will not be able to cover its expenses.

Recommendation

Management should ensure that all relevant accounts have been budgeted for. There should be no expenditure from accounts that have not been budgeted for unless Management has made the necessary requests (i.e. Supplementary and/or Virement requests), there should be evidence to substantiate any claims made.

Action Plan

Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
Management's Response:				
Detailed Findings Reference:				

Issue #4 - Purchase Orders were not used to request Goods and Services**Rank****SIGNIFICANT DEFICIENCY****RISK****HIGH****Criteria:**

The Public Procurement Ordinance Section 32 (5) states that *"The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price."* Further, TCIG's purchasing procedure requires officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is captured during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Based on best practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between \$0- \$75000 with the exception of monthly utilities and rents.

Condition:

A sample of 143 transactions for MOF totalling \$6,010,391.46 was tested to ascertain whether POs were prepared to request goods and services. The results of that test are shown in the table below. Additionally, the Ministry of Finance could not produce actual copies of PO's for the expenditure incurred.

The table below shows a break-down of the testing carried out.

YEAR	# OF PAYMENTS WITHOUT MATCHED PO WHERE APPLICABLE	\$ AMOUNT
2013	111	\$4,938,511.02

Cause:

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Potential Effect:

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
Management's Response:				
Detailed Findings Reference:				

Issue #5 - No Chief Financial Officer ('CFO') approval/business cases attached for payments \$10,000 and above.

Rank	SIGNIFICANT DEFICIENCY	RISK	HIGH
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Criteria: PFMR Schedule B(5) states:

Pursuant to section 4(4) (h) of the Ordinance, Accounting Officers shall ensure that the Chief Financial Officer is consulted on all recurrent and non-recurrent expenditure, promissory notes, or other financial commitments over the value of \$10,000 and obtain his or her approval in writing in advance of any commitment being incurred by the Government.

Condition:

143 transactions were tested totalling \$6,010,391.46 in 2013. Of the 69 transactions tested there was no evidence of CFO approval attached to any of the payments \$10,000 and over. A check of the Ministry of Finance's records revealed that there were no copies of CFO approval for payments of \$10,000 and over available for review. .

YEAR	# OF PAYMENTS WITHOUT CFO APPROVAL WHERE APPLICABLE	\$ AMOUNT
2013	69	\$4,694,642.47

Cause:

This could be as a result of office personnel not being aware of the relevant laws and how they should go about making payments.

Potential Effect:

As a result of no CFO approval, expenditure incurred could be seen as unauthorized and illegal.

Recommendation

All payments in the amount of \$10,000 and above should have the prior approval of the CFO. The electronic invoice on Smart Stream should be accompanied by a formal approval from the CFO for the incurred expenditure.

Action Plan

Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
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Management's Response:

Detailed Findings Reference:	
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Issue #6 - Invoice attachments not checked for calculations, proper review of payments and not signed true and correct for payment

Rank	SIGNIFICANT DEFICIENCY	RISK	HIGH
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Criteria:

PFMR Section 72(4) states:

A public officer who approves a payment voucher or electronic documentation shall ensure that:-

- (a) The services specified in the payment voucher or electronic documentation have been duly and competently performed;*
- (b) The prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates;*
- (c) Authority has been obtained as quoted;*
- (d) The calculations and castings have been verified and are arithmetically correct;*
- (e) The classification of the expenditure and any deduction are correct;*
- (f) There are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure;*
- (g) The persons named in the voucher are those entitled to receive payment; and*
- (h) Any supplies purchased have been taken on charge or issued for immediate use.*

In accordance with best practice all invoices should be checked to ensure, that calculations and all other information (i.e. correct items, dates, invoice numbers etc.) are correct and that there is evidence to ensure that invoices have been checked. Invoice attachments should also be signed to be true and correct, dated and approved for payment. Authorized approvers should exercise great care in making sure payments are indeed correct before approval is granted.

Condition:

A sample of 143 transactions was tested for MOF totalling \$6,010,391.46 for 2013, to ascertain whether attachments contained evidence that they were:

- Checked for correct calculations.
- Certified 'true and correct'.
- Approved for payment.

The tables below show the results of the review.

YEAR	# OF TRANSACTIONS NOT CHECKED FOR CALCULATIONS	\$ AMOUNT
2013	96	\$3,416,629.30

YEAR	# OF TRANSACTIONS NOT SIGNED TRUE & CORRECT	\$ AMOUNT
2013	86	\$1,837,267.28

Cause:

Management and/or data entry personnel may not be aware of the laws as they relate to the processing and

approving of payments. This may also be as a result of the need for refresher training in the processing and approval of payments.

Potential Effect:

As a result of not checking payments for correct information, TCIG would be charged and paying incorrect or duplicate amounts. Invoice attachments not signed to be true and correct and approved for payment can be seen to be unauthorized.

Recommendation

Management and/or authorized personnel should ensure that before invoices properly checked for calculations and all other relevant information and that all payments are approved for payment, signed true and correct and dated.

Action Plan

Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
Management's Response:				
Detailed Findings Reference:				

Issue #7 - Contravention of the Appropriation Ordinance**Rank****MATERIAL WEAKNESS****RISK****HIGH****Criteria:**

PFMR 48(a)(b), 49(a)(b)(c)(d) (2) and 51(1) states that:

Where any further disbursements are required in respect of a service which –

- (a) Could not have been foreseen;*
- (b) May not be postponed without detriment to the public interest;*
- (c) Cannot appropriately be charged to an existing item of the estimates; or*
- (d) Would cause an excess on the estimates, prior approval for authority to incur such expenditure shall be sought.*

Where expenditure cannot be met by virements within the vote from items with savings, then provision for supplementary funds shall be sought, in which case an application for application supplementary funds may be made to the Permanent Secretary, Finance.

The House of Assembly has the right to approve expenditure of public moneys prior to it being incurred, and has an equal right to investigate the reasons behind any failure of an Accounting Officer to comply with this legal requirement, and it is the duty of each Accounting Officer to attend personally before the House of Assembly when required to do so and provide explanations to the issues raised.

Condition:

The results of the test of 143 transactions for MOF totalling \$6,010,391.46 for 2013 revealed that two accounts were in excess of the original amount budgeted.

YEAR	DEPT.	ACCOUNT	AMOUNT BUDGETED	ACTUAL AMOUNT
2013	019 – Customs Department	34401 – Maintenance of Software	\$21,771.00	\$32,452.00
	093 – Central Information Tech. Unit	34403 – Computer Software License Fees	\$468,279.00	\$812,356.48

Cause:

This may be as a result of improper budgeting by Management.

Potential Effect:

As a result of excess expenditure without the proper authority Ministries/Departments are in direct contravention of the laws as set out in the Financial Instructions and the Public Finance Management Regulations. Direct contravention of the laws of TCIG makes them ineffective.

Recommendation

Management should pay great attention to detail during the budgeting process to ensure that accounts are properly budgeted for. All payments should remain within the budgeted limits as outlines by the Appropriation Ordinance. If excess expenditure is foreseen or necessary, Management should ensure that the necessary steps are taken to acquire a supplementary or Virement where applicable.

Action Plan				
Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
Management's Response:				
Detailed Findings Reference:				

Issue #8 - Payments charged to incorrect accounts and no reconciliation

Rank	MATERIAL WEAKNESS	RISK	LOW
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Criteria: In accordance with best practice, each Ministry and/or Department has a listing of account codes and specific budgeted amount for those accounts that is relevant to that Ministry and/or Department. Each account code has a number and description (i.e. 33001 – Office Supplies etc.). All items purchased in regards to office supplies should be charged to the relevant account. Instances of mis-postings should be few, for example, charges for telephone costs, should not be posted to the office supplies account. Additionally, there should be monthly reconciliation of all accounts to ensure that instances of mis-postings can be adjusted.

Financial Instructions 1989 Chapter 4 – 0415, 0416, 0417 and 0418 states:

At the end of every month the Accounting Officer is responsible for reconciling the items of expenditure in the Vote Control Books, on an item by item basis, with those in the Treasury records.

It is the responsibility of Accounting Officers to ensure that all differences and discrepancies between entries in the Vote Control Book and the Treasury records are fully recorded and investigated, reconciled and corrected without undue delay.

Accounting Officers must sign a monthly reconciliation schedule in respect of every sub-head or capital project under their jurisdiction certifying they are satisfied that all differences have been explained and corrections made (where necessary).

An adjustment voucher is used to transfer debits or credits from one Departmental Vote Control Book or account to another without recourse to an actual transfer of cash. Such transfers must only be used in the case of the correction to coding and posting errors or for other such legitimate reasons but never to avoid showing over-expenditure under a sub-head.

Condition:

The results of 143 transactions tested for MOF totalling \$6,010,391.46 for 2013, revealed that 25 transactions were posted to the incorrect account.

YEAR	DEPT.	TRANSACTION DESCRIPTION	\$ AMOUNT	ACCOUNT POSTED	CORRECT ACCOUNT
2013	019 – Customs Department	ASYCU00001 3613 ASYCUDA PAYMENT	\$54,000.00	34305 – Professional & Consultancy	34401 – Maint. of Software
	093 – Central Info. Tech. Unit	BUSIN00001 186490 PRINTER SUPPLIES	\$6,283.99	34305 – Professional & Consultancy	33003 – Computer Supplies
	111 – Ministry of Finance	CDBAN00001 07032013	\$70,370.30	42601 – Payment to Sub-Contractors. 4838	Correct sub-account, incorrect account
	019 – Customs	DELLW00001 133756225	\$19,811.41		

	Department	COMPUTER SUPPLIES FOR CUSTOMS		– Provision for CDB Shares	
	093 – Central Info. Tech. Unit	DIGIC00001 GOVT IT 004 SUPPLIES FOR GOV. OFFICES	\$465,874.00	34405 – Intelligence Computer Software	33003 – Computer Supplies
	019 – Customs Department	ILLUM00001 4820832 ORACLE SUPPORT RENEWAL	\$8,414.00	34403 – Computer Software License Fees	33003 or 33530 Comp. Sup. Or Data Commun. Costs
	093 – Central Info. Tech. Unit	MICRO00006 358 PREMIER SUPPORT SERVICES (For Tech. Supp.)	\$18,798.35	34401 – Maintenance of Software	34405 – Intelligence Computer System
	019 – Customs Department	MICRO00007 554492 SUPPLIES FOR CUSTOMS (Pmt. For Comp. Supp.)	\$6,250.00	34403 – Computer Software License Fees	34305 – Professional & Consultancy
	025 – Revenue Control Unit	PARIS00001 201343 TRAINING DOG AND MONTHLY K-9 DEC-13	\$38,000.00	34405 – Intelligence Computer Software	33003 – Computer Supplies
		TROPI00001 000123 VEHICLE PURCHASES		34204 – Literacy Program	This account states Drug Dogs Costs. However in 2012 and 2013 it is listed as Literacy Program on Smart Stream.
				41105 – Purchase of Transport Equipment	There is an issue with the sub-account that the payment was charged to 5049.
				5049 – Marek's Christmas Treats for Foster Children	

Additionally, there appears to have been no reconciliation performed on the various accounts and/or necessary adjustments made.

Cause:

This could be as a result of careless mistakes made by data entry personnel. The lack of review by the first level approver and no reconciliations being carried out by relevant personnel. This could also arise when funds from the correct account have been exhausted, and the decision is taken to post transactions to an account with available funds.

Potential Effect:

As a result of posting transactions to incorrect accounts, expenditure may not be accurately accounted for within TCIG, and could paint an unclear and incorrect picture within the budgeting process. A lack of reconciliation would result in mistakes not being captured on a timely basis and account balances would be incorrectly stated.

Recommendation

Data entry personnel should exercise care and attention throughout the data entry process to ensure that mistakes are minimal. Management/Authorized approvers should check to ensure that all information on the electronic invoice (i.e. amount, payee, account, Ministry, Program etc.) is correct before payments are approved. Management should ensure that reconciliations of all accounts are performed on a monthly basis and necessary adjustments are made if need be.

Action Plan

Person Responsible	Athenee Harvey P.S. Finance	Estimated Date	Completion	
Management's Response:				
Detailed Findings Reference:				

Ministry of Education, Youth and Sports

Issue #1 - Purchase Orders were not used to request Goods and Services**Rank****SIGNIFICANT DEFICIENCY****RISK****MODERATE****Criteria**

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure requires officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Based on best practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between \$0- \$75000 with the exception of monthly utilities and rents.

Condition

Review of transactions \$5,000 and over for financial year 2013 to ascertain whether POs were prepared to request goods and services revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	6,558,600.90	222	237,805.14	25

Ministry of Health and Education was one Ministry in 2012, but for ease of review the transactions were split for this report.

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date Immediate
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Management Response

During this period the Ministry was very short of trained resources to adequately monitor processes. Since this period, more senior departmental staff at cost centres have been trained in Smart Stream processing. There are now Financial Managers who monitor/ensure that there is compliance. More officers needed to be trained regarding procedures and this has happened.

There is still some challenges in the cost centres in the Family Islands and additional training, more reliable access to Smart Stream and regular monitoring will enhance their compliance. This is currently happening.

Detailed Findings Reference:

Issue #2 - Transactions that are not certified true and correct.**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

According to PFM Regulations, section 76(1), all payments shall be made in accordance with instructions issued by the Accountant General. Based on previous precedent, it is mandatory that all invoices/ attachments/ supporting documents be appropriately authorized and certified true and correct before payment is made. This should be done by lawful persons (lawful persons include public officers authorized by the Accountant General and Accounting Officers).

Condition

Review of transactions \$5,000 and over for financial years 2013 to ascertain whether: they had been certified 'true and correct'- denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	6,558,600.90	222	47,110.15	23

Cause

Non-compliance with PFMR 76(1).

A lack of training in the payment procedures process.

Controls

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Recommendation

It is recommended that proper records of invoices and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.

Action Plan**Person Responsible****Accounting Officer****Estimated Completion Date Immediate****Management Response**

Invoices that were exception were 23 of a total of 222. It is fair to say that on a whole there was compliance the majority of times. It was ascertained that many of the invoices related to utilities which were paid automatically. A few related to payments to schools and if one were to look broadly would note that in the majority of cases these are certified correct.

The invoices were checked and it should be noted that these were goods that were received by TCIG and were legitimate.

In March 2013 the Ministry was assigned a FM. Separate accounting officers by December 2012 and Deputy

Secretary by February 2013. The addition of these resources plus a program of training in Smart Stream will improve compliance in this area.

Detailed Findings Reference:

Issue #3 - No Contracts**Rank****SIGNIFICANT DEFICIENCY****RISK****HIGH****Criteria**

The Public Procurement Ordinance 2012 Section 50 requires:

- (1) An officer must ensure that a contract entered into on behalf of the government is evidenced in writing.
- (2) Except with the approval of the Governor, the initial period of a contract must not exceed five years.
- (3) The Governor must not give his or her approval except in exceptional circumstances and then only for a period not exceeding ten years.
- (4) A contract may provide for its extension for a period not exceeding five or, as the case may be, ten years.
- (5) However, any such contract must provide that any extension will only be granted if both parties agree and if any performance standards have been continuously met and that no major breaches of the terms and conditions of the contract have occurred.
- (6) Unless a contract is in a form previously approved by the Attorney General the form of a contract must be approved by the Attorney General before it is entered into.
- (7) Except with the approval of the Attorney General, an officer must not include in a contract a provision that has not previously been approved by the Attorney General for that type of contract or omit a provision from such a contract.
- (8) An officer must ensure, for payment purposes, that there is a Purchase Order in respect of a contract and, if relevant, a Cabinet Conclusion reference from the approval granted in the pre-procurement stage.
- (9) If, in respect of a contract, a department acts as agent for another department, an officer must ensure that any relevant Financial Instructions are followed.
- (10) An officer must ensure that a contract that may have an effect on government land including leased land is countersigned by the Permanent Secretary of the department that has responsibility for support services.

Condition

Review of the transaction \$5,000 and over to ascertain whether contracts were prepared and executed where applicable revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	6,558,600.90	222	237,805.14	25

Cause

Non- compliance with the Public Procurement Ordinance 2012 Section 50 (1) - (10).
Lack of in-house training for staff members on the need for contract and PPO 2012.

Effect or potential effect:

No contracts, or no renewal of contracts may lead to:

1. Nepotism
2. Favouritism

Disputes may arise that may be costly and difficult to resolve.

No way of measuring contract performance.

No value for money.

Cost overruns.

Project not meeting time budgets.

Recommendation

Accounting Officers and Responsible Officers must ensure that contracts exist where required and that they are up to date as per the Public Procurement Ordinance 2012 Section 50 (PPO).

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date	November 2014
<p>Management Response</p> <p>Beginning 2013-2014 all contracts are being updated/re tendered. Where there are regular monthly payments commitments forms have been prepared and signed off by the CFO.</p> <p>In one instance, contracts had to be re-tendered and this delayed the onset of a new contractual arrangement.</p> <p>It is expected that by November 2015 all contracts would be updated.</p>			

Detailed Findings Reference:

Ministry of Environment

Issue #1 - Purchase Orders were not used to request Goods and Services**Rank****SIGNIFICANT DEFICIENCY****RISK****MODERATE****Criteria:**

The Public Procurement Ordinance Section 32 (5) states that *"The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price."* Further, TCIG's purchasing procedure requires officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Based on best practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between \$0- \$75000 with the exception of monthly utilities and rents.

Condition

Review of transactions \$5,000 and over for financial years 2011, 2012 and 2013 to ascertain whether POs were prepared to request goods and services revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	560,089.72	59	12,482.62	2

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan		
Person Responsible Susan Malcolm Sharon Taylor HoDs	Accounting Officer Susan Malcolm	Estimated Completion Date Immediately
Management Response 2013. One of these relates to a Turtle Research Project (which falls under a project) and the other a Prison / Social Development Project for the renovation of facilities for Juveniles in the Prison. Management acknowledges that no POs were raised which could have caused excess expenditure. A number of strategies has been put in place to counteract this occurrence: <ul style="list-style-type: none"> (i) Training of staff within the Ministry and Departments to reinforce the various regulations and procedures (ii) Sensitization and reminders of Press Releases sent out by Finance Department (iii) Appointment of and close monitoring of Smart Stream by the Financial Manager 		
Detailed Findings Reference:		

Issue #2		No Contracts		
Rank	CONTROL DEFICIENCY		RISK	LOW
Criteria				
The Public Procurement Ordinance 2012 Section 50 requires:				
(1) An officer must ensure that a contract entered into on behalf of the government is evidenced in writing.				
(2) Except with the approval of the Governor, the initial period of a contract must not exceed five years.				
(3) The Governor must not give his or her approval except in exceptional circumstances and then only for a period not exceeding ten years.				
(4) A contract may provide for its extension for a period not exceeding five or, as the case may be, ten years.				
(5) However, any such contract must provide that any extension will only be granted if both parties agree and if any performance standards have been continuously met and that no major breaches of the terms and conditions of the contact have occurred.				
(6) Unless a contract is in a form previously approved by the Attorney General the form of a contact must be approved by the Attorney General before it is entered into.				
(7) Except with the approval of the Attorney General, an officer must not include in a contract a provision that has not previously been approved by the Attorney General for that type of contract or omit a provision from such a contract.				
(8) An officer must ensure, for payment purposes, that there is a Purchase Order in respect of a contract and, if relevant, a Cabinet Conclusion reference from the approval granted in the pre-procurement stage.				
(9) If, in respect of a contract, a department acts as agent for another department, an officer must ensure that any relevant Financial Instructions are followed.				
(10) An officer must ensure that a contract that may have an effect on government land including leased land is countersigned by the Permanent Secretary of the department that has responsibility for support services.				
Condition				
Review of the transaction \$5,000 and over revealed the following:				
Year	Sample \$	Sample #	Exception \$	Exception #
2013	560,089.72	59	12,878.74	2

Cause

Non- compliance with the Public Procurement Ordinance 2012 Section 50 (1) - (10).

Lack of in-house training for staff members

Contracts haven't being renewed

Effect or potential effect:

No contracts, or no renewal of contracts may lead to:

1. Nepotism
2. Favoritism
3. No written agreement between the contractor and Government.
1. Government will not be reliable to the contractor.

Recommendation

Personnel in authority are responsible for renewing all contracts that are not up to date, and not leaving these contracts to continuing without renewing them. The Public Procurement Ordinance 2012 Section 50 (PPO) which is outline above in the criteria section.

Action Plan

Person Responsible
Susan Malcolm
Sharon Taylor
HoDs

Accounting Officer
Susan Malcolm

Estimated Completion Date
Immediately

Management Response

2013. One transaction relates to Repairs of Furniture by S Walkin (5788.66) (DEMA). The second transaction relates to payment to CBC (7090.08) towards the refurbishment of the Juvenile Area at the Prison. The work was jointly done by Prison, Social Development and PWD. The vendor (CBC) was an approved vendor of PWD.

Management acknowledges that there were no contracts to cover these transactions. A number of strategies has been put in place to counteract this occurrence:

- (i) **Training of staff within the Ministry and Departments to reinforce the various regulations and procedures**
- (ii) **Ensure that contracts are valid and attached to all payments.**
- (iii) **Appointment of, and close monitoring of Smart Stream by, the Financial Manager**

Detailed Findings Reference:

Ministry of Government Support Services**Issue #1 - Purchase Orders were not used to request Goods and Services**

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria

The Public Procurement Ordinance Section 32 (5) states that *“The officer must ensure that procurement is formalised by issuing purchase order that details the exact nature of the goods or services purchased and the agreed price.”* Further, TCIG’s purchasing procedure requires officers to obtain quotes for goods and services and input the information in accounting system to generate a PO. The commitment is capture during inputs stage and will generate funds exception if the account does not have sufficient funds. Also the PO is required to be approved by at least two authorized officers. A PO is a legally binding contract between TCIG and the seller.

Based on best practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between \$0- \$75000 with the exception of monthly utilities and rents.

Condition

Review of transactions for financial year 2013, to ascertain whether POs were prepared to request goods and services revealed the following:

Table B – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$5,688,680.03	212	12,503.29	2

Cause

- Non-compliance with section 32(5) of the Procurement Ordinance.
- Responsible officer may not have been trained to prepare PO and to match POs to invoices.
- Circumvention of expenditure management/containment controls which requires commitments to be recorded to prevent excess expenditure.
- Circumvention of authority controls which requires officer to obtain approval to request good and services from an authorised officer.

Effect or potential effect

- No binding contract between TCIG and the sellers which:
 - Does not facilitate the reconciliation between items and prices agreed and items and prices received.
 - May result in TCIG paying for goods and services that were not requested.
 - Does facilitate conflict resolution if the terms of the contract are not met.
- Not receiving competitive prices for goods and services requested.
- Unauthorised purchases or items purchased for personal uses.
- Commitments may not have been captured resulting in excess expenditure.

Recommendation

Accounting Officers should ensure that responsible officers comply with the Public Procurement Ordinance

Section 32, ensuring that POs are issued to request goods and services. Responsible officers should be trained or retrained to prepare and matching POs.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response

All Officers have been reminded of the need to prepare POs for all goods and services.
A weekly review is done by the Financial Manager to ensure that a PO is prepared for all purchases.

Detailed Findings Reference:

Issue #2 - Transactions were not certified true and correct.**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

According to PFM Regulations, section 76(1), all payments shall be made in accordance with instructions issued by the Accountant General. Based on previous precedent, it is mandatory that all invoices/ attachments/ supporting documents be appropriately authorized and certified true and correct before payment is made. This should be done by lawful persons (lawful persons include public officers authorized by the Accountant General and Accounting Officers).

Condition

Review of transactions for financial years 2013 to ascertain whether, they had been certified 'true and correct'- denoting that goods or services were received, calculations checked, and what was ordered was reconciled with what was received revealed the following:

Table D – Payments over \$5,000

Year	Sample \$	Sample #	Exception \$	Exception #
2013	5,688,680.03	212	572,237.69	21

The following invoice did not have approved for payment by an authorised officer:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$5,688,680.03	212	6,000.00	1

Cause

Non-compliance with PFMR 76(1) and FI 5(2).

A lack of training in the payment procedures process.

Controls

Effect or potential effect:

TCIG may have paid for goods and services that were not supplied;

TCIG may not have gotten value for money for the goods and services supplied;

Lack of review of invoices may result in duplicate payments.

Recommendation

It is recommended that proper records of invoices and any other documents acting as evidence to support payments be kept. It is mandatory that these documents are thoroughly checked and certified true and correct by authorized personnel before payments are made.

Action Plan**Person Responsible****Accounting Officer****Estimated Completion Date****Management Response**

- All Officers have been reminded of the need to certify all invoices as true and correct before payment is requested.
- A weekly review is done by the Financial Manager to ensure that all invoices are certified as true and correct before payment is made.

Detailed Findings Reference:

Issue #3 - Transactions approved by the same person on both levels**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria**

According to PFM Regulations, section 72(2) states *“An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe financial limits and other conditions within which the authority maybe exercised.”*

Further, in TCIG the standard levels of approvals in SmartStream for POs, PR and Invoices are level one and level two. This segregation of duty control prevents the risk associated with having one person having total control over any one transaction and ensures that sufficient review is carried out of payments.

Condition

1. Review of the approval registers revealed that the Ministry did not have financial limits for approvers.
2. Review of the transaction \$5,000 and over revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$5,688,680.03	212	329,623.27	28

Cause

- Non-compliance with PFMR 72(2).
- No approval policy.
- Officers may not have been trained to identify and manage risk associated with the payment process.
- Financial limits were not addressed.
- Manpower shortage.
- Not employing compensating control.
- Accounting Officers authorizing persons to approve at both levels.
- Persons being set up in SmartStream to approve at both levels.
- Circumventing the segregation of duty controls.

Effect or potential effect:

- Persons may be authorizing payments outside of their limit.
- Weak controls in the approval process may lead to inadequate review of payments resulting in:
 - i. Related party transactions.
 - ii. Excess expenditure due to overpayments of vendors.
 - iii. Beneficiary may approve their own payment.
 - iv. False expense claims or fictitious invoices being paid.
 - v. Duplicate payments.

Recommendation

Accounting Officers should adhere to PFMR 72 (2) and (3) ensuring that persons authorized to approve payments are assigned financial limits. Further, TCIG should develop and implement an approval policy as guidance for responsible officers. Also Accounting Officers should have more than one approver at each level to

prevent single payments being approved at level 1 and 2 by the same officer. Further, responsible officers should be trained to identify and manage the risk associated with the payment process.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
Management Response <ul style="list-style-type: none"> • All level two approvers have been remained that all transactions should be approved at the first level before second level approval. • Sufficient approvers have been assigned to provide coverage during periods of vacation . • A weekly review is done by the Financial Manager to ensure that all payment requests are approved by two appropriate approvers. 		

Detailed Findings Reference:

Issue #4 - Transactions were Mis-Posting

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria:

The Public Finance regulations 2012 Section 72 (4) A public officer who approves a payment voucher or electronic documentation shall ensure that:

(e) The classification of the expenditure and any deduction are correct.

(f) There are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure.

Condition:

Review of the transaction above \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$5,688,680.03	212	245,694.92	9

Cause:

Non- compliance with the Public Finance Regulations 2012 Section 72 (4) E and F.

Lack of in-house training for staff members.

Mis-postings put the Government at risk for expenditure wastage.

Effect or potential effect:

Mis-posting will lead to:

2. Excess expenditure

Recommendation

Personnel in authority are responsible for renewing all contracts that are not up to date, and not leaving these contracts to continuing without renewing them. The Public Procurement Ordinance 2012 Section 50 (PPO) which is outline above in the criteria section.

Action Plan

Person Responsible	Accounting Officer	Estimated Completion Date
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Management Response

- HODs have been reminded to follow the correct procedures and record transaction under the correct vote, Virement and or Supplementary Application should be requested in cases of insufficient funds

- A weekly review of transactions is performed by the Financial Manager and journals done were mis-postings are identified

Detailed Findings Reference:

Issue #5 - Payments were not made to suppliers within 31 days**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria:**

Public Finance Management Regulation 73. (1) Accounting Officers shall settle payments by their ministries or departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the budgetary warrant issued for the purpose, within a period of thirty days of their receipt.

Condition:

Review of the transaction above \$5,000 revealed the following:

Year	Sample \$	Sample #	Exception \$	Exception #
2013	\$5,688,680.03	212	161,503.64	8

Cause:

Non- compliance with the Public Finance Regulations 2012 Section 73 (1).

Lack of in-house training for staff members.

Accounts will not show the correct payments at the end of the financial year.

The ministry will have outstanding bills.

Effect or potential effect:

Lack of bill not paid on time can lead to:

Outstanding payments.

Recommendation

All persons in authority should adhere to the Public Finance Management Regulation 73. (1) states that Accounting Officers shall settle payments by their ministries or departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the budgetary warrant issued for the purpose, within a period of thirty days of their receipt.

Action Plan

Person Responsible	Accounting Officer	Estimated Date	Completion
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Management Response

Detailed Findings Reference:

Payroll

Issue #1 - Poor maintenance of payroll information and circumvention of the approval process			
Rank	CONTROL DEFICIENCY	RISK	MODERATE
<p>Criteria: Before the PFMR best practice required that employees hiring and termination is approved by management before salary payments are made to staff. There were also requirement that files are maintained for all employees.</p> <p>Public Finance Management Regulation 2012 (PFMR) PFMR 85 (3) states that: Accounting Officers are responsible for ensuring that personal emolument records maintained for all of the permanent staff within their Ministries and Departments are correct, and that all changes and variations in applicable rates are duly notified to the Accountant General.</p> <p>PFMR 85 (6) states that: No employee shall be included on the payroll until a copy of the letter of appointment and a copy of the letter of acceptance of the appointment have been received by the Accountant General; and no action will be taken which would result in changes of salary or allowance to any public officer until proper authority has been received.</p> <p>Condition: Files for 64 employees who joined the service and were terminated during financial year 2013-2014 were examined. The following were the results of the review:</p> <ul style="list-style-type: none"> a) 3 files requested from the Human Resources Directorate were not presented for review. (Explanation provided by means of a memo).Ref # B2 b) One file did not have a letter of Appointment and /or Termination where applicable. (Ref # B1-5) c) One letter of appointment and termination were not signed.(Ref # B1-5) d) 35 cases where salary and/ allowance authorized on files did not agree with SmartStream data.(Ref # B1) e) 45 cases where no Appendix B forms were on the files at Human Resources Directorate(Ref # B1) f) For 47 employees the information on Treasury files did not agree with Human Resource Directorate.(Ref # B1) g) There were two cases where two appendix B forms filed at Treasury while only one was on HR Files.(Ref #B1-1,B1-2) h) There were 36 Appendix B forms for allowances, 15 of them did not match with the allowance rate approved on the Job Letters.(Ref # B1) <p>Cause: Noncompliance with PFMR 85 (6). Files may not have been maintained for all employees Files may not have been place in secure environment. Circumvention of the approval procedures for allowances.</p> <p>Effect and Potential Effect:</p> <ul style="list-style-type: none"> a) Staff may have been overpaid. b) Excess expenditure for staff cost. c) Incomplete or no records for some employees. d) Missing employee files 			

e) Fictitious employees.

Recommendation

As previously recommended, Human Resource Directorate should ensure that records are maintained for all employees and that there should be reconciliation at least quarterly with Treasury records. Also the payroll should be reviewed at least quarterly by someone independent of the payroll function to ensure that termination is captured, to prevent overpayments and to ensure that the payroll system reflects the decision communicated by the Human Resources Directorate.

Action Plan

Person Responsible		Estimated Date	Completion	
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Management's Response:

The Treasury is working on instituting the quarterly review as recommended.

Detailed Findings Reference: B1-1 TO B1-6

Page B1-1 TO B1-6

Issue #2 Misdistribution of Allowances**Rank****CONTROL DEFICIENCY****RISK****MODERATE****Criteria:**

Public Service Handbook

“Allowances are payable when certain circumstances are in place. Accordingly an officer must meet the criteria in relation to the allowance to be eligible for payment of the allowance. If circumstances change or the officer no longer meets the criteria for the allowance, payment of the allowance will cease.”

The handbook includes the salary scale that allows officers to qualify for a level of allowance.

Condition:

Housing, Child, Telephone, Island, Responsibility, Duty and Material Allowances were analysed to ensure that rates were in accord with the Public Service Handbook. The findings are below:

1. There were 108 employees receiving telephone allowance, 82 were not paid the rate applicable to their pay scale.(Ref # C8-1)
2. 68 employees were paid responsibility allowance, 57 were not paid the rate applicable to their pay scale.(Ref #C6-1)
3. 53 employees were paid housing allowance, 30 were not paid the rate applicable to their pay scales.(Ref # C10-2)

Table Highlighting the amount over and under paid for Telephone, Housing and Responsibility Allowance

ALLOWANCES	#	OVERPAID AMOUNT	#	UNDERPAID AMOUNT	TOTAL #
TELEPHONE	2	1,200.00	80	38,792.00	82
HOUSING	18	10,100.00	12	5,895.00	30
RESPONSIBILITY	34	60,095.00	23	31,750.00	57
TOTAL		71,395.00		76,437.00	

Risk:

Salary and allowance rates paid to some officers may not be the appropriate rates.

Impact:

1. Staff may have been overpaid.
2. Excess expenditure for staff cost.

Recommendation				
Accounting Officers and Responsible Officers must ensure that the Public Service handbook is followed when issuing allowances. If the Handbook is lacking in a specific area, it should be brought to the attention of those responsible for governance so that the needed provisions can be made.				
Action Plan				
Person Responsible		Estimated Date	Completion	
Detailed Findings Reference:C3-C10		Page C3-C10		

Development Fund

Issue #1 - Issues identified in the operation of the Development Fund Programme.

(Projects identified as not being initiated by a warrant were not investigated by SPPD)

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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DEVELOPMENT FUND

CRITERIA

- Ensure that all expenditures incurred against approved projects stated in the Departmental Development Programme of the Appropriation Ordinance 2013 are initiated by a warrant.

CONDITION

- The Development Fund Statement 2013/2014 was joined to the "Warrants Listing" generated by Strategic Policy and Planning Department (SPPD) for the period 2013/2014. This revealed 3 projects where expenditures were incurred but no warrants were issued. Even though the amounts are below \$5,000, this still shows that controls are still not effective enough to ensure that no expenditure is incurred without a warrant.

Table 1: Expenditure incurred where no warrant was issued 2013/2014.

RESPONSIBLE MIN/DEPT	PROJECT #	SOF	ACTUAL EXPENDITURE
16-96	4855	1001	2,100
54-25	4860	1001	4,029
3-9	4931	1001	42*
		TOTAL	6,171

*Immaterial amount

- A warrant is a document which gives the authority to a Permanent Secretary/Department Head to incur expenditure on particular projects. It acts as a control mechanism to ensure that Accounting Officers do not incur expenditure on a project which has not been authorized and to ensure that the Accounting Officers do not exceed the authorized amounts.
- The identification of projects where warrants were not issued suggests that expenditure was illegally incurred even though there were estimates.

Below is a breakdown of the total estimate, actual expenditure and warrants issued for 2012/2013.

Table 2

DETAILS	2013/2014
Estimated Expenditure (A)	9,872,682
Actual Expenditure (B)	9,711,142
Under spent (C=A-B)	161,539
% Savings Estimation (C/A)	1.6%
Warrants Issued (D)	8,889,442
Excess of Actual over warrants issued	(821,700)
% of warrants over- spend 2013/2014	9.2%
%of warrants over-spend 2012/2013	4.7%

CAUSE

- A Department can initiate payment on a project without the proper warrant, by using a warrant issued in prior period if there is a set estimate in the system against that project code. SPPD would not be alerted as SPPD is not informed by Treasury when funds exceptions are observed.

EFFECT

- Department Heads/Permanent Secretaries would be able to Post unwarranted expenditure against Development Fund Budget and could potentially cause the Development Fund budget to be overspent.

Recommendation

The Accountant General and SPPD must implement controls where no expenditure for any project could be processed through the system without an approved warrant.

Surcharge any Accounting Office according to the Public Finance Management Ordinance for not managing and safeguarding the public funds he or she is responsible for.

Action Plan

Person Responsible	Permanent Secretary, Finance Accountant General Head SPPD	Estimated Date	Completion	
<p>Management Response:</p> <ul style="list-style-type: none"> 16-96 4855 1001 \$2,100- the payment was incorrectly made to the project number. The payment should have been made from PN 4886 - Border Management System as the works undertaken were related to this project. The Border Management System had warrants totalling \$103,600 in 2013/14 and expenditure of \$93,119.00 as at the end of the financial year. The request was made for the journal to be done but was not executed. 54-25 4860 1001 \$4,029 - the charges against the project account were incorrectly made again a warrant that was expired at the end of financial year 2012/13. These charges were related to the Implementation of VAT during 2012/13 and should have been made then. Posting should have been made to the recurrent budget as there was no budgetary allocation for 2013/14. 3-9 4931 1001 \$42-Initial estimate received was within budget. I will have to follow up with the department why this occurred. <p>SPPD noticed that departments are either using old warrants or incorrect account numbers to post payments. To improve the monitoring of capital expenditure in 2014/15 the department is sending out on a monthly basis to Accounting Officers expenditure reports to further improve on the control deficiency that exists as well as to strengthen the capacity within the Ministries to review and ensure that capital payments are charged to the correct project numbers.</p>				
Detailed Findings Reference:				

**Issue #2 - Issues identified in the operation of the Development Fund Programme.
(ineffective controls to ensure warrants issued are not overspent)**

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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DEVELOPMENT FUND**CRITERIA**

- Controls are in place to ensure that issued warrants are not overspent according to PFMR 2012 Sec 46 to Sec 48.

CONDITION

- Strategic Policy and Planning Department (SPPD) developed a document which details the manner in which warrants should be used, controlled and monitored. Warrants are prepared by SPPD and signed by the Permanent Secretary of Finance only after cabinet has approved that the contract be awarded to a specific company/business, a warrant is then issued to the responsible Ministry or Department.
- During our testing, we found that 11 projects overspent the warrant that were authorized and issued for that particular project.
- For 2013/2014, actual expenditure totalled \$9,711,142 and actual warrants issued totalled \$8,889,442 a difference of \$821,700 or 9.9% over warrants issued. This shows that there was more expenditure incurred against what was authorized by warrant. This figure is somewhat misleading as there are projects where there was no overspend; therefore achieving a savings for TCIG. If this is removed, the actual over spent projects amount to \$1,787,699.

Table 3: Actual versus warrants for 2013/2014

DETAILS	# OF PROJECTS	ACTUAL 2013/2014	WARRANTS 2013/2014	ACTUAL LESS WARRANTS
Total # of projects where actual <warrant	28	4,343,037	5,315,207	972,170
Total # of projects where actual >warrant	13	3,917,105	2,129,406	(1,787,699)
Total # of projects where no warrant issued	3	6,171	-	(6,171)
Total # of projects where actual=warrants issued	8	1,444,829	1,444,829	-

	52	9,711,142	8,889,442	(821,700)
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*69 warrants were issued against 52 projects for 2013/2014. (Multiple warrants were issued for projects depending on the agreed upon intervals for releasing funds).

CAUSE

- Even though controls are in place to prevent the overspending of warrants, they are not effective. When cost overruns are detected by the Ministry/Dept., SPPD is not contacted for review of the project amount. This is contrary to the Budget/Appropriation Ordinance if these amounts have not been approved. Once payments are placed on the system and the amount exceeds the Budget of that particular project a funds exception is incurred. It was noted that funds exceptions are cleared by Treasury however SPPD is not aware of the clearance, only when an expense report is requested to track the progress of the Development Programme.

EFFECT

- If a Ministry or Dept. is able to overspend without the proper authority (warrant), it creates an environment where Department Heads would be able to post unwarranted expenditure to the system against the Development Fund. This could potentially cause the Development Fund to be overspent. Overspending without authority can hinder the progress of other projects within the Development Fund budget as funds that are not used are absorbed by other projects. If Accounting Officers are not surcharged or if a reasonable explanation is not provided, this would continue.
- TCIG would not have the ability to manage its cash flows effectively.

Recommendation

Again, stronger controls must be implemented by the Accountant General to mitigate the problem of overspending of warrants. The authorization and approval of warrants need to be strengthened to prevent unauthorized use of warrants (spending against funds that have not been authorized) the system must be reviewed to enable SPPD to enter approved warrant amounts against approved estimates for projects. The system should also be changed to require a valid warrant number to enable the department or Ministry to spend on a particular project.

There must be regular review/monitoring of project accounts by SPPD to identify overspending and to monitor the spending of the Ministry or Department.

Accounting Officers must ensure that all legal requirements are satisfied over the control and authorization of public funds as set out in the Public Finance Management Regulations 2012.

Action Plan

Person Responsible	Permanent Secretary, Finance Accountant General Head SPPD Athenee Harvey	Estimated Date	Completion	
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Management Response:

The issue of over-expenditure on warrants is under review and a better monitoring process is being developed that will ensure there is both budget and warrant for all capital expenditure.

Detailed Findings Reference:	
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**Issue #3 - Issues identified in the operation of the Development Fund Programme.
(Projects Approved in the Appropriation Ordinance 2013 were not undertaken)**

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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DEVELOPMENT FUND

CRITERIA

- Development fund projects are scrutinized to determine whether the project is of national priority and are properly categorized to determine whether a project should be funded through the Development Fund programme or as recurrent expenditure.

CONDITION

- All projects are evaluated by the Strategic Policy and Planning Department SPPD and the appropriate prioritization ranking and classification is decided.
- The prioritization gives precedence to those projects that are committed to pay for by law, contract or agreement; this followed by those projects that will improve TCIG operations through saving costs e.g.: reducing rent and those that would improve the image of TCIG.
- SPPD provided documentation on how projects are categorized, either as Development Fund expenditure or recurrent expenditure.
- In reviewing the Development Fund Statement we noted that a number of projects that were of national priority were not executed during the period. Out of a total estimated expenditure financed by 'TCIG Consolidated Fund transfers (1001) of \$9,872,682 a total of 17 projects totalling \$653,809 were not undertaken during 2013/2014. This represents 6.6% of the estimated expenditure for this area. We need to understand why such a large number of projects were not undertaken and whether it was of any importance for that year.
- We were informed that projects were not executed because of delays with the approval of the budget during the year which caused planned events to be consequently abandoned or because of late issuance of warrants.
- The total savings of non-executed projects of \$653,809 could not cover the unbudgeted value of projects executed of \$1,175,039.

Table : Projects that were not undertaken in 2013/2014

Project	SOF	Description	Estimate	Actual	Under/(Excess)
4327	1001	Census Preparation 2012	20,000.00		20,000.00
4669	1001	Counter-part Contribution for BNTF 6	12,831.00		12,831.00
4776	1001	Furniture and Equipment for HJRHS Six Classroom Block	19,275.00		19,275.00
Project	SOF	Description	Estimate	Actual	Under/(Excess)

			18,403.00	18,403.00
4829	1001	Additional Court Room at Supreme Court		
4832	1001	Balance on Counter-part Contribution for BNTF 5 (Construction)	7,991.00	7,991.00
4879	1001	Home for Juvenile Phase 1 & 2	45,000.00	45,000.00
4902	1001	Completion of Auditorium at HJRHS	40,000.00	40,000.00
4907	1001	Construction of Remand/Detention Centre PLS	40,000.00	40,000.00
4935	1001	Counter-part Contribution for BNTF 7	4,800.00	4,800.00
4938	1001	Design and Installation of One(1) 30kgpd RO Plant - Salt Cay	46,448.00	46,448.00
4980	1001	Ambulances for North and South Caicos	100,000.00	100,000.00
4992	1001	Upgrade Equipment and Materials in Science labs all high	100,000.00	100,000.00
4993	1001	School Bus Replacement MBHS	10,000.00	10,000.00
5036	1001	Furniture and Equipment for HJRHS Admin Block	150,000.00	150,000.00
5040	1001	Furniture for Deputy Governor's Office	10,000.00	10,000.00
5053	1001	North Caicos Sports Track	9,061.00	9,061.00
5062	1001	Repairs to Blue Hills Dock	20,000.00	20,000.00
			20,000.00	
		Total	\$653,809	\$653,809

CAUSE

- The significant variances of projects not undertaken by Ministries and Departments suggest poor project execution rate or a lack of proper planning of development needs. Such variances reduce the reliability of the budget process.

EFFECT

- Under-utilised resources in areas/projects that were not undertaken.
- Allocation of resources to projects that will not be undertaken in the financial year.
- The inclusion of high priority projects that are not under taken gives rise to inclusion of projects

that were not approved through the Appropriation Ordinance.

Recommendation

There should be better planning within the Development Fund Expenditure budget with regard to projects that will not be ready for undertaking in the financial year.

Action Plan

Person Responsible	Permanent Secretary, Finance Accountant General Head SPPD Athenee Harvey Athenee Harvey	Estimated Completion Date	
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Management's Response:

The projects contained in the Development Estimates in the financial year are all priority projects for the government. With the late passing of the budget in the financial year in question it allowed for a delay in the execution of the projects listed. Pre-procurement procedure took some time, because the scope and specifications of each project had to be agreed with the Ministries. Additionally according to section 39(c) of the Public Procurement Ordinance, at least four (4) weeks should be allowed for a potential tenderer to prepare a tender. After this period closes, and no tenders are received, the tender has to be re-issued for a similar period. When bids are finally received for a project, and the evaluation process is completed and the bids received are over budget, they are either re-tendered or a Supplementary Appropriation is requested through the Budget Office for the increased expenditure. The Supplementary Appropriation has to be approved before the project can be contracted. In some instances, there was expenditure against some of the projects listed however, because of the late approval of the Supplementary Appropriation, the budget could not be expended in the financial year and had to be rolled over in the following financial as a contracted ongoing project.

Detailed Findings Reference:

Issue #4 - Issues identified in the operation of the Development Fund Programme.

(Over expenditure noted against Estimates and actual Development Fund Expenditure)

Rank	CONTROL DEFICIENCY	RISK	HIGH
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DEVELOPMENT FUND

CRITERIA

- The Development Fund expenditure is project based. The draft Development Fund budget is presented to Cabinet for approval then submitted to the House of Assembly for review, discussion and final approval. Once the expenditure is approved by the House of Assembly this becomes a part of the Appropriations Ordinance, and gives Turks and Caicos Islands Government (TCIG) the legal authority to spend against approved project; however only after a development fund warrant is signed.
- Any expenditure incurred over the approved Development Fund budget or supplementary Appropriation is considered excess expenditure and is illegal expenditure.
- The Development Fund statement was reviewed to ascertain whether projects were overspent causing excess expenditure which is considered illegal expenditure.
- The Development Fund was reviewed to ascertain compliance with PFMO 25 and 26.

Supplementary Estimates

PFMO 25. (1) If in respect of any financial year it is found that the amount appropriated for any purpose under the Appropriation Ordinance is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by that Ordinance, a supplementary estimate showing the sums required shall be laid before the House of Assembly by the Minister, and the Appropriations Committee shall scrutinise that estimate and make recommendations in relation to it to the House. (2) The heads of expenditure contained in a supplementary estimate shall be included in a bill, to be known as a Supplementary Appropriation Bill, which shall be introduced into the House of Assembly to provide for the issue from the Consolidated Fund of the sums necessary to meet that expenditure and the appropriation of those sums for the purposes specified in the bill.

Excess Expenditure

PFMO 26. (1) Where, in exceptional circumstances, at the close of accounts for any financial year it is found that moneys have been expended on any expenditure in excess of the amount appropriated for it by an Appropriation Ordinance or a Supplementary Appropriation Ordinance or for a purpose for which no moneys have been voted and appropriated, the amount of the excess expended, or not appropriated, as the case may be, shall be included in a statement of expenditure in excess. (2) The Minister shall lay every statement of expenditure in excess before the House of Assembly, which shall refer it to the Public Accounts Committee of the House, and the Minister shall at the same time send a copy of the statement to the Governor. (3) The Public Accounts Committee shall report to the House of Assembly on a statement of expenditure in excess referred to it under subsection (2) within six months after the statement is referred to it. (4) Where on receiving any report of the Public Accounts Committee issued under subsection (3) the House of Assembly, by means of a resolution, allows the excess or the amount expended but not appropriated to stand charged to public funds, the sum required to meet that excess or such amount as shall be allowed shall be included in a Supplementary Appropriation Bill for appropriation.

CONDITION

- Projects approved in the TCIG Appropriations Ordinance 2013/2014 were reduced, increased or removed after two supplementary Bills were passed in December 2013 and April 2014. **(See Appendix A)**
- We noted overspending after an analytical review of Estimated and Actual Development Fund Expenditure incurred during the period 2013/2014. This overspending occurred because projects where expenditure had already been incurred and where warrants had already been released because of the Appropriation Ordinance were reduced or removed by Supplementary Appropriation causing the projects to become illegal expenditure. There were no estimates or the estimate figure was less than what was previously approved.
- No evidence that actual spending was reviewed before the supplementary appropriations was prepared.
- No evidence of collaboration between cabinet, Budget and SPPD.
- Only 3 projects overspent the actual budget after supplementary appropriation.
- The total Development Fund expenditure for 2013/2014 was \$9,711,143 and total budgeted was \$12,155,582 including supplementary for the year resulting in saving of \$2,444,439. It was noted that the budget was managed to ensure that the bottom line was not overspent.

See the table below.

Table 5 Development Fund Budget and Actuals for 2013/2014.

Area	Budget	Supplementary 1	Supplementary 2	Total budget	Actual
	\$	\$	\$		
TCIG Consolidated Fund Projects	14,515,688	12,331,496	9,872,682	9,872,682	8,536,103
Funds Accounted for through TCIG Accounts	2,261,070	2,261,070	-	-	1,175,039
Funds not accounted for through TCIG Accounts	2,282,900	2,282,900	2,282,900	2,282,900	-
TOTAL	19,059,658	16,875,466	12,155,582	12,155,582	9,711,143

Table 6: Approved budget removed where actual expenditure had already been incurred.

Project	SOF	Description	Budget	Actual	Variance
5151	1001	Furniture for Deputy Governor's Office	-	13,138	(13,138)
4934	1007	New Vehicles for Police	-	(672,024)	(672,024)
4846	3030	Cholera Treatment Project Materials & Supplies (Ministry of Health)	-	(163,956)	(163,956)
Project	SOF	Description	Budget	Actual	Variance
2827	3053	BNTF Office cost	-	(1,991)	(1,991)
4832	3053	Balance on Counterpart Contribution for BNTF 5	-	(7,991)	(7,991)
4604	3099	Strengthening of the Public Health Delivery System in the TCI National Tree for Turks & Caicos Islands	-	(9,396)	(9,396)
4790	3099	Healthy Lifestyle Curriculum	-	(52,783)	(52,783)
4900	3099	Renovation of MRHC for SIPT	-	(9,502)	(9,502)
4911	3239	Trials	-	(257,395)	(257,395)
TOTAL				1,188,177	(1,188,177)

CAUSE

- Limited review of spending trend in the Development Fund Statement.
- Limited review of previously approved project estimates to ensure the actuals were in good standing.

EFFECT

- Unrealistic and Unreliable budget information.

Recommendation

Better collaboration between Ministries and Departments responsible for monitoring spending of the Development Fund.

Surcharge any Accounting Office according to the Public Finance Management Ordinance for not managing and safeguarding the public funds he or she is responsible for.

Action Plan

Person Responsible	Permanent Secretary, Finance Accountant General Head SPPD	Estimated Date	Completion	
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Management's Response:

For the grants funding SPPD cannot report on why this was cut because the supplementary request information submitted to the Budget Office did not reflect this. For the TCIG funded projects part payments were made in

2013 with the balances carried format into 2014.	
Detailed Findings Reference:	

Issue #5 - Issues identified in the operation of the Development Fund Programme.

(Warrants issued that were more than the approved Budget for 2013/2014 and warrants issued where there was no budgeted figures.

Rank	CONTROL DEFICIENCY	RISK	HIGH
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DEVELOPMENT FUND**CRITERIA**

- Ensure that all warrants are issued in accordance with the Appropriation ordinance or in accordance with Supplementary Appropriations approved for that year.
- Ensure no warrants are issued against a project where there is no estimate/budgeted figure.

CONDITION

- Warrants for the financial year 2013/2014 totalled \$8,889,443. The Original budget for the projects where funds were accounted for through TCIG accounts totalled \$14,515,688. After the 1st supplementary appropriation, the budget was increased to \$14,592,566. The 2nd supplementary reduced this area to \$9,872,682. It was noted that warrants had already been issued and expenditure had already been incurred when the supplementary Appropriations were approved.
- 7 out of 52 warrants were issued prior to the Supplementary Appropriations which were more than the approved estimates for 2013/2014 after supplementary.

TABLE 7: Warrants issued more than approved estimates.

Min/Dept .	Project	Original Budget	1 st Supplementary Dec 2013	2 nd Supplementary Aril 2014	Warrants Issued	Diff. Est. -Warrant
52-044	4788	668,488	688,488	555,628	668,488	(112,860)
54-111	4838	71,000	70,370	70,370	71,000	(630)
51-060	4863	40,000	40,000	5,000	38,000	(33,000)
54-019	4870	265,000	250,000	237,500	450,000	(212,500)
51-100	4872	50,000	50,000	20,000	50,000	(30,000)
03-009	4925	57947	57947	54947	57,500	(2,553)
54-018	5037	85,000	69,444	29,370	40,000	(10,630)
		TOTAL	1,206,249	972,815	1,374,988	(402,173)

Table 8: Warrants issued where there was no Estimate.

Min/Dept.	Project	Original Budget	1 st Supplementary Dec 2013	2 nd Supplementary Aril 2014	Warrants Issued	Diff. Est. - Warrant	Min/Dept.
56-090	5,151	-	-	-	25/2/2014	9,854	(9,854)
54-018	4832	18,452	18452	-	18/6/2013	7991	(7,991)

					31/10/201		
03-009	4,934	815,081	815,081	-	3	815,081	(815,081)
55-072	4,846	207,592	207,592	-	26/7/2013	150,000	(150,000)
54-018	2,827	5,088	5,088	-	26/6/2013	1,000	(1,000)
55-072	4,604	21,084	21,084	-	2/5/2013	20,000	(20,000)
51-069	4,790	58,273	58,273	-	9/5/2013	20,000	(20,000)
55-072	4,900	10,000	10,000	-	26/7/2013	10,000	(10,000)
05-013	4,911	303,962	303,962		21/2/2014	303,962	(303,962)
TOTAL						1,329,897	(1,329,897)

- 9 out of 52 warrants were issued where there was no budgeted/estimated figure after supplementary.

CAUSE

- **No review of spending trends.**
- **No review by responsible department of warrants issued by SPPD during the year.**

EFFECT

- Distorted budget after supplementary Appropriations removed estimates where expenditure had already been incurred.
- Misinterpretation of budget figures.

Recommendation

Accounting Officers must ensure that they adhere to the requirements of PFMO 2012.

Action Plan

Person Responsible	Permanent Secretary, Finance Accountant General Head SPPD	Estimated Completion Date	
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Management Response:

Table 7

For Project account 51-060 004863 warrant information was incorrectly reported. One warrant was issued DWF #33 in the amount of \$5,000 not \$40,000 and also 54-019 004870, this particular project monies were broken up into three warrants DWF #'s 30,44 and 56, with the final warrant #56 amounting to \$250,000 not \$450,000 and clearing indicating that it is a replacement warrant.

SPPD will ensure going forward that cancellation warrants are issued to reflect new balances after the supplementary is approved.

Table 8

SPPD have already put measures in place, by sending out monthly reports to Ministries to show expenditure against warranted amounts.

Detailed Findings Reference:

**Issue #6 Issues identified in the operation of the Development Fund Programme
(Lack of support Documents to verify Donor funding received)**

Rank	CONTROL DEFICIENCY	RISK	HIGH
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DEVELOPMENT FUND- GRANT AND AID RECEIPTS
CRITERIA

- All Donor funding are properly accounted for in the financial statements and all documents pertaining to agreed upon activities for use of funds are maintained in accordance with PFMR 2012 Sec 96 which states:-

96. (1) The Accountant general shall-

(a) issue instructions to Accounting Officers specifying the precautions to be taken in particular cases to safeguard accounting records and documents and, in particular, those which have been stored on electronic or other media;

(b) ensure that all receipts and payment vouchers or approved electronic documentation lodged with him or her are properly secured, and that they and all other accounting documents are kept in an orderly manner so that they are available when required.

CONDITION

- Grant and Aid received from various sources were not properly documented. We requested support documents from Treasury to enable us to verify the sender and to identify what the funds were to be used for in the financial year 2012/2013. Treasury stated that in order for this information to be compiled they would need to consult with various departments who benefitted from the funds to find out what it was to be used for and also the source donor.
- The support documents provided were insufficient to properly verify the donors and confirm the use of the funds.
- The statement needs to be adjusted to remove expenditure totalling \$3,084, which was incurred by the labour Department. A decisions should be made as to whether this is a development fund project or recurrent expenditure.

Table 9: Breakdown of Grant and Aid received from International Donors

DONOR	PER	MIN/DEPT	AMOUNT
CORRESPONDENCE			
CDEMA			420
CDEMA			8,237

CDEMA	5,896
FCO	39,725
UNDP	7,839
EXPENDITURE	(3,084)
TOTAL PER ACCOUNT	\$59,033

CAUSE

- The lack of proper documentation to verify donor funds received and accounted for in the accounting system is caused by the non-receipt of source documents from Min/Dept. within TCIG and Treasury's inability to trace the funds received.

EFFECT

- No verification of funds received from sources, would cause the statements to be questionable with respect to the integrity of the donor funds received and expenses incurred.

Recommendation

The PS Finance or the Accountant General must forward correspondence to all accounting Officers informing them to forward all source documentation from international Donors to the Accountant general for verification before any money can be disbursed.

We recommend that the Treasury design and implement controls to ensure that all documentation received from donors to verify monies donated to TCIG is securely filed for inspection and review. These documents must be properly maintained and secured according to the requirements of the Public Finance Management Regulations 2012 Sec 96.

Action Plan

Person Responsible	Permanent Secretary, Finance Accountant General Head SPPD	Estimated Date	Completion	
Management's Response: Accounting Officers do provide details on donor funding but they will be also required to provide the source documents as recommended.				
Detailed Findings Reference:		Section		

Issue # 7 Issues identified in the operation of the Development Fund Programme.**(Duplicate item identified)**

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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CRITERIA – Payments authorized were not duplicated and are in accordance with the PFMO 2012.

A duplication check was performed on all transactions for the Development Fund for the financial year 2013/32014. All transactions were grouped together by Description and by amount. There were 680 entries that were extracted to test for duplications.

CONDITION - Based on the results, there was one possible duplication out of 680 transactions.

- Ministry 52, program 043, account 41101, sub account 4866, source of fund 1001.

VENDOR	DESCRIPTION	AMOUNT	EFF DATE
INTEI00002	PWD1215	1,385.60	03/12/2013
INTEI00002	PWD1215	1,384.60	05/03/2014

- The amount and number of entries is small however it has been noted in the past that a number of duplicate entries go unchecked and not verified. We brought this to the attention of SPPD who requested a follow up from the responsible Department, EMS. We were informed that the entry would be further investigated and resolved.

CAUSE

- No review of postings and prior payments.
- Support documents are not stamped paid.

RISK

- Payments can be illegally transferred or diverted by making duplicate payments. Also Invoices can be falsified or duplicated in order to generate a false payment.

EFFECT

- Duplicate payments can exhaust the organization's funds. The vendor gets paid twice and while some duplicate payments are later discovered through the kindness of honest vendors, many are found through expensive recovery audits or remain hidden and are never resolved.

Recommendation

Management must continue to ensure that there is proper record keeping and that the necessary steps

are taken in the payment process. It is important to take proactive steps and introduce additional controls to avoid duplicate payments.

Action Plan

Person Responsible	Athenee Harvey	Estimated Date	Completion	July 2014
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Management Response:

Payment was a duplicate payment. PWD has contacted the contractor and the contractor has agreed to repay the overpaid amount.

Detailed Findings Reference:

Page

Appendix A: Development Fund Statement 2013/2014

Project	SOF	Description	Estimate	Actual	Under/(Excess)
2070	1001	Construction of South Caicos Community Centre and Disaster Management Command Centre	80,088.00	80,088.00	-
2530	1001	HJRHS Renovations Phase 2 - New Administration Block	828,483.00	828,482.66	0.34
4327	1001	Census Preparation 2012	20,000.00	-	
4403	1001	Radar System for Turks & Caicos Islands	39,766.00	22,874.42	16,891.58
4669	1001	Counter-part Contribution for BNTF 6	12,831.00	-	
4776	1001	Furniture and Equipment for HJRHS Six Classroom Block	19,275.00	-	
4783	1001	Upgrading of Salt Cay Clinic	50,000.00	40,340.15	9,659.85
4788	1001	Additional RO Plant Development	555,628.00	679,303.19	(123,675.19)
4829	1001	Additional Court Room at Supreme Court	18,403.00	-	
4832	1001	Balance on Counter-part Contribution for BNTF 5 (Construction)	7,991.00	-	
4836	1001	EU Housing Initiative	300,000.00	264,198.93	35,801.07
4838	1001	Provision for CDB Shares	70,370.00	70,370.30	(0.30)
4848	1001	Repairs to former Customs Office South Base	25,543.00	25,542.84	0.16
4850	1001	Repairs to former Immigration Office-South Base	24,924.00	24,924.49	(0.49)
4855	1001	Belonger Status Card Service Project	2,100.00	2,100.00	-
4856	1001	Providenciales Airport Land Acquisition	700,000.00	700,000.00	-
4858	1001	Repairs to Causeway Bridge	1,524,235.00	1,524,235.07	(0.07)
4859	1001	Construction of New Block - Ona Glinton Primary School	1,436,871.00	1,218,451.49	218,419.51
4860	1001	Implementation of Value Added Tax - Non IT Cost	4,029.00	4,028.74	0.26
4862	1001	Generator for Wellness Centre and Green Door	15,665.00	15,998.00	(333.00)
4863	1001	Video Linking and Cell Pods	5,000.00	2,310.00	2,690.00
4866	1001	Install Shutters on Gov't Buildings-All			55,192.73

		islands	82,312.00	27,119.27	
Project	SOF	Description	Estimate	Actual	Under/(Excess)
4867	1001	Repairs to Water Catchment in GDT, XSC and Salt Cay	61,624.00	61,624.29	(0.29)
4870	1001	Construction of Warehouse and Office - Customs Grand Turk	237,500.00	245,689.40	(8,189.40)
4872	1001	Queen Conch Visual Survey and Local Consumption Study	20,000.00	4,765.63	15,234.37
4879	1001	Home for Juvenile Phase 1 & 2	45,000.00	-	
4880	1001	Additional Toilet Block for Clement Howell High School	280,000.00	221,095.41	58,904.59
4882	1001	Construction of New Block - Ianthe Pratt Primary School	100,000.00	83,550.08	16,449.92
4886	1001	Border Management Information Systems	195,000.00	93,118.86	101,881.14
4902	1001	Completion of Auditorium at HJRHS	40,000.00	-	
4904	1001	Replacement engines for DECR	20,000.00	20,000.00	-
4907	1001	Construction of Remand/Detention Centre PLS	40,000.00	-	
4925	1001	Police Accommodations at TCICC	54,947.00	43,913.75	11,033.25
4927	1001	Carnival Infrastructure Projects	370,000.00	291,573.00	78,427.00
4931	1001	Communication Radios Police	1,128.00	42.00	1,086.00
4935	1001	Counter-part Contribution for BNTF 7	4,800.00	-	
4937	1001	SIPT Court Outfitting	180,374.00	73,650.00	106,724.00
4938	1001	Design and Installation of One(1) 30kgpd RO Plant - Salt Cay	46,448.00	-	
4939	1001	Construction of Building to House New RO Plant- Salt Cay	26,182.00	26,019.95	162.05
4954	1001	Furniture for Premier's Office - PLS	7,500.00	7,500.00	-
4965	1001	Introduction of a Healthy Lifestyle Curriculum	10,000.00	5,292.50	4,707.50
4980	1001	Ambulances for North and South Caicos	100,000.00	-	
4992	1001	Upgrade Equipment and Materials in Science labs all high	100,000.00	-	
4993	1001	School Bus Replacement MBHS	10,000.00	-	
4994	1001	Refurbishment of Home Economics Dept. MBHS	34,014.00	33,170.40	843.60

Project	SOF	Description	Estimate	Actual	Under/(Excess)
5036	1001	Furniture and Equipment for HJRHS Admin Block	150,000.00	-	
5037	1001	HIES/CPI Project	29,370.00	29,398.94	(28.94)
5040	1001	Furniture for Deputy Governor's Office	10,000.00	-	
5049	1001	Vehicles for Revenue Control	38,000.00	38,000.00	-
5052	1001	Vector Control Vehicle - XNC/MC	25,000.00	25,000.00	-
5053	1001	North Caicos Sports Track	9,061.00	-	
5062	1001	Repairs to Blue Hills Dock	20,000.00	-	
5066	1001	Digicel Contract	949,700.00	949,699.84	0.16
5067	1001	Construction of Fish Market	35,000.00	17,493.45	17,506.55
5068	1001	Installation of Generators	47,500.00	6,063.51	41,436.49
5069	1001	Grand Turk Beach Cabanas	24,400.00	24,340.72	59.28
5110	1001	Replacement Dock for S Caicos	120,000.00	96,777.96	23,222.04
5122	1001	Vehicle for Premier	47,200.00	35,400.00	11,800.00
5124	1001	North Caicos Land	552,500.00	552,500.00	-
5150	1001	Well Drilling Salt Cay	6,920.00	6,917.53	2.47
5151	1001	Furniture for Deputy Gov. Office		13,138.41	(13,138.41)
TCIG CONSOLIDATED FUND			9,872,682.00	8,536,103.18	1,336,578.82
4934	1007	New Vehicles for Police	-	672,024.45	(672,024.45)
NATIONAL FORFEITURE FUND			-	672,024.45	(672,024.45)
4846	3030	Cholera Treatment Project Materials & Supplies (Ministry of Health)	-	163,956.36	(163,956.36)
UNITED KINGDOM UK DFID PROGRAMME			-	163,956.36	(163,956.36)
2827	3053	BNTF Office cost	-	1,991.48	(1,991.48)
4832	3053	Balance on Counterpart Contribution for BNTF 5	-	7,990.68	(7,990.68)
Project	SOF	Description	Estimate	Actual	Under/(Excess)

		CARIBBEAN DEVELOPMENT BANK			
		BNTF	-	9,982.16	(9,982.16)
4604	3099	Strengthening of the Public Health Delivery System in the TCI	-	9,396.52	(9,396.52)
4790	3099	National Tree for Turks & Caicos Islands	-	52,782.64	(52,782.64)
4900	3099	Healthy Lifestyle Curriculum	-	9,502.36	(9,502.36)
		OTHER PRIVATE SOURCES	-	71,681.52	(71,681.52)
4626	3153	Counterpart Contribution for BNTF 6	105,000.00		105,000.00
4942	3153	Storm Water Flood Risk Management Study	147,900.00		
4943	3153	Purchase of Equipment for Census/Country Poverty Assessment	30,000.00		
		CARIBBEAN DEVELOPMENT BANK CDB GRANTS	282,900.00		282,900.00
4836	3161	EU Initiative	2,000,000.00		2,000,000.00
		EUROPEAN UNION NATIONAL DEVELOPMENT FUND	2,000,000.00		2,000,000.00
4911	3239	Renovation of MRHC for SIPT Trials	-	257,394.88	(257,394.88)
		UNITED KINGDOM OTHER GOVERNMENT GRANTS	-	257,394.88	(257,394.88)
TOTAL			12,155,582.00	9,711,142.55	2,444,439.45

Bulk Tickets

Issue #1 - Bulk Ticket Purchase			
Rank	SIGNIFICANT DEFICIENCY	Risk	MODERATE
<p>Criteria</p> <p>Public Procurement Ordinance (PPO) 3 (b) define economy, efficiency and effectiveness as follows:</p> <p>“economy” means the acquisition of the appropriate quality and quantity of financial, human and physical resources at the appropriate times and at the lowest cost;</p> <p>“efficiency” means the use of financial, human and physical resources such that output is maximized for a given set of resource inputs, or input is minimized for a given quantity and quality of output provided;</p> <p>“effectiveness” means the achievement of the objective or other intended effect of a program, operation or activity;</p> <p>PPO 4 (9)</p> <p>(9) An Accounting officer must be mindful of the need to obtain value for money (economy, efficiency, and effectiveness) in the procedures and services the officer’s department is following or providing and must strive to encourage a working environment conducive to achieving best value for money.</p> <p>Travel Policy</p> <p>3. Air Travel</p> <p>3.1. The Ministry of Finance (Finance) must seek to establish and manage a common use arrangement (call-off contract) and seek to establish agreements with airlines / travel agencies for the provision of special-to-government discounted airfares and services. Finance must coordinate and manage the procurement and disbursement of airline tickets and travel agency services to the Government and public bodies, if more beneficial than terms obtained by those bodies.</p> <p>3.2. These discounted airfares are to be delivered to customers only through the travel management services of Finance. Care must be taken to prevent Officers using the name of the Government or a public body and common use arrangements to secure discounted rates from the airline for private travel.</p> <p>3.3. To achieve cost efficiencies, the “Best Fare of the Day” principle when choosing fares for official air travel must be used. To achieve equitable distribution of official air travel across domestic airlines thereby supporting the sustainability of air services within the Islands.</p> <p>Condition</p> <p>TCIG purchase local air tickets in bulk. The price for bulk tickets from Grand Turk to Providenciales returns range from \$140-\$145 per trip. The total spent for 2013-2014 on tickets was \$359,000. On demand the average cost of a ticket from Grand Turk to Providenciales return is around \$80 which is 43% less than \$140.</p> <p>Cause</p> <p>Value for money may not have been considered in the decision making process.</p> <p>A cost benefit analysis may not have been carried out to reflect the change in ticket prices.</p> <p>Effect or potential effect</p>			

Excess expenditure.

TCIG may not have obtained value for money by paying more than the market value for air tickets.

Recommendation

The Ministry of Finance should perform a cost benefit analysis to ascertain whether buying bulk is more economical or whether it is more cost efficient to use the 'Best fair of the Day' principle for local air travel.

Action Plan

Person Responsible	PS, Finance Accounting Officers Accountant General	Estimated Completion Date
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Management Response

Detailed Findings Reference:

Tourist Board Amex Payments

Issue # 1 No evidence to substantiate \$50,000 paid to Amex																	
Rank	SIGNIFICANT DEFICIENCY	Risk MODERATE															
Criteria A Liability is: An obligation of an entity arising from past transactions or events, the settlement of which results in transfer or use of assets, provision of services or other yielding of economic benefits in the future.																	
Condition The following payments were made to American Express during 2011-2012:																	
<table> <tr> <th>Date</th><th>Amount \$</th><th>Name</th></tr> <tr> <td>30/04/2011</td><td>50,000</td><td>American Express Publishing</td></tr> <tr> <td>30/06/2011</td><td>50,000</td><td>American Express</td></tr> <tr> <td>30/7/2011</td><td>50,000</td><td>American Express</td></tr> <tr> <td>Total</td><td>150,000</td><td></td></tr> </table>			Date	Amount \$	Name	30/04/2011	50,000	American Express Publishing	30/06/2011	50,000	American Express	30/7/2011	50,000	American Express	Total	150,000	
Date	Amount \$	Name															
30/04/2011	50,000	American Express Publishing															
30/06/2011	50,000	American Express															
30/7/2011	50,000	American Express															
Total	150,000																
Review of the transaction in SmartStream revealed that the payment did not have sufficient supporting documentary evidence that the payment was actual a liability of TCIG. Requests were made to the Accountant General's Office and the Tourist Board for supporting document such as bills to substantiate the payments but both Public Offices were not able to provide the required information at reporting date.																	
Cause Poor record keeping.																	
Effect or potential effect TCIG may have paid for good or services that were not provided.																	
Recommendation The Accounting Officer must ensure that transaction have sufficient supporting documents as evidence that TCIG has an obligation to make payment for services or assets before they are processed.																	
Action Plan																	
Person Responsible	PS, Finance Accountant General Director of Tourist Board	Estimated Completion Date															
Management Response The Treasury cannot find any supporting document for this payment and the people involved with making this payment back in 2011 are no longer employed to the Treasury. The Tourist Board is researching their records and will provide any documentation in their possession.																	
Detailed Findings Reference:																	

Vendor Master File

Issue #1 Poor Vendor Master File Management			
Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
<p>Criteria:</p> <p>Best practice requires that company maintain a vendor master file containing information on vendors such as their address. The address information that should be included in the vendor master file is the street address, city, country and zip code for foreign companies.</p>			
<p>Response: Agreed. A process is being implemented and additional compensating controls are also being put in place to ensure that there is a designated person within Treasury to work with the maintaining a vendor master file</p>			
<p>Condition:</p> <p>No Vendor Master File Policy</p> <p>There is no vendor master file policy to guide users on adding, changing vendor information, inactivating vendors and vendor due diligence.</p> <p>No review of vendor information</p> <p>There are no officers responsible for the following:</p> <ul style="list-style-type: none"> a) Review of vendor forms before the date is entered into the system. b) Approving additional vendors, vendor change information, inactivating vendors and reactivating vendors. c) Reviewing the vendor master file periodically. d) Ensuring the accuracy of vendor information before and after it is entered into the system <p>No Vendor Audits</p> <p>No vendor audits have been carried out for 2013.</p> <p>No vendor Due Diligence</p> <p>No vendor due diligence have been carried out for 2013' before and after vendors have entered in the system.</p> <p>No Review of Business License Information</p> <p>No officer is responsible for ensuring that vendors have up to date business licenses.</p> <p>Outstanding Fees</p> <p>There is no officer responsible for ensuring that vendors do not have outstanding fees or arrears with TCIG before they are paid.</p> <p>No Reporting</p> <p>Reports on vendor additions, deletions and record changes are not generated by a responsible officer for management review.</p>			

No Cleansing of the vendor Master File

There is no cleansing of old or duplicate entries from the vendor master file on SmartStream system.

No Limits Assigned

Vendors are not assigned limits based on their license categories for example contractors are categorized as petty, small medium and large. Payments to vendors are not strictly based on vendor license size.

Inaccurate vendor information

Review of TCIG's vendor master file within SmartStream revealed that:

1. TCIG database contains 19,252 vendors on 11th March, 2014.
2. 647 vendors did not have country code.
3. 11,747 did not have city name.
4. 7,505 had information in city name but the following was noted:
 - I. 854 of the vendors had bank account numbers entered as city name.
 - II. One had cell phone number entered as city name.
5. 24 had information in street address but only nine were actual street information. Two of the nine records were duplicate vendors.
6. There is no standard for how names and address of vendor should be captured in the vendor master database. The database is case sensitive and a search can yield no result if the correct format is not used for the search criteria for the vendor's name.
7. 203 duplicate vendors; 185 with two vendor records, 18 with three vendor records and 4 with four vendor records.
8. 1,819 records show contact name as "Manager".
9. 144 records show contact name as 'To Whom It May Concern'.
10. Six show contact name as "Manage".
11. Initials used for person's name.

MOF Response: There are parts of the findings that we accept as being correct and MOF accepts and is currently looking into ways in which the vendor form can be updated and what additional information should be provided along with the form. However I would like to clarify the following issues raised:

- **The issues regarding outstanding fees owing by vendors to TCIG:** Under the current accounting treatment of expenditure the Treasury is not able to net revenue and expenditure. As this has created an issue within our accounts previously. We have put in place a mechanism to avoid doing business with vendors who have arrears regarding outstanding cheques issued to TCIG and who do not have a valid business licence.
- **Assurance of an up to date business licence:** In March 2013 an instruction was issued to advise TCIG employees and vendors alike that TCIG will no longer be conducting business with vendors who do not have a valid business licence. Since the issuance of this instruction the Treasury was requested to update their vendor files to reflect the input of the vendor business licence. In addition vendors were also requested to reregister, as a vendor, with the TCIG. However, with

	the delay of the 10% penalty for late payment of business licence a vendor will only be regarded as not having a valid business licence for FY 2014/2015 after 31 st August 2014.
-	No Cleansing of the vendor Master File: In Smart Stream the system does not allow for the deletion of vendors in the system. However, the person who is able to update vendor files in the system is able to inactivate a vendor if it is noted that an error has arisen with regards to the vendor.
-	No Limits Assigned- We currently do not agree with this finding as this would be impossible to police by the Treasury and I am not aware if the system is capable of carrying out this function. Currently vendor limits are policed through the procurement process (PPB). All revenant information is obtained through the procurement process.

Cause:

There is no vendor master policy to guide Treasury – Payables on how to perform due diligence for vendors and how to manage vendor information.

The controls over the management of the vendor master file are weak as it does not prevent and detect vendor fraud such as vendor masking, this is fraud committed by vendors attempting to hide their true identity making it difficult to detect fraudulent activities and recover lost funds.

Lack of training for officers on maintaining vendor management.

Effect or potential effect

Loss of funds due to fictitious vendors.

Inability to recover loss funds due to not being able to locate vendor.

Inaccurate information can lead to duplicate payments, unpaid invoices and paying the wrong vendor.

Recommendation

A vendor management policy should be developed as guidance for responsible officers. Officers should be trained on how to apply the policy. There should be a clean-up of the vendor master file to ensure that complete and accurate information concerning vendors are captured in the vendor master file. Also basic and comprehensive due diligence should be carried out on vendors before and after they have been entered in the system. Reports should be generated for vendor activity for management review.

MOF Response:

Response: Agreed: A comprehensive approval policy will be more clearly outlined in the payment procedure manual that is being prepared and should be completed by end of the second quarter. In addition the SmartStream training manuals, for data entry and approvers, will be updated to alert persons as to what they should be looking for before a vendor is requested to be added. The Treasury has also assigned a person to maintain the vendor master file.

Action Plan

Person Responsible	Athenee Harvey	Estimated Completion Date
Detailed Findings Reference:		

SmartStream Approvals

Issue #1 SmartStream Approval -			
Rank	CONTROL DEFICIENCY	RISK	MODERATE
Criteria: <p>Best practice requires that management institute controls over processing payments to prevent unauthorized transactions. This includes approval controls such as level of approvals and limits of approval. It also requires that adequate segregation of duty controls exist to address the risk of fraud and error by one individual. This can be prevented by ensuring that one individual does not carry out a process and by having supervisory oversight of individual work.</p>			
Response: Agreed. Adequate segregation of duty is being implemented and additional compensating controls are also being put in place, including using officer of the Ministry of Finance as the final approver, particularly in regards to expenditure for HODs and Accounting.			
Approval process 2013 <p>The Public Finance Management Regulations (PFMR) 2012 gives direction on approval for 2012 and 2013.</p> <p>PFMR 72 (2) An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe the financial limits and other conditions within which the authority may be exercised.</p> <p>(3) The Accountant General and the Auditor General shall be—</p> <ul style="list-style-type: none"> (a) advised of the names of the public officers so designated and the financial limits within which they may exercise their authority, (b) provided with the specimen signatures of those public officers; and (c) advise when the authority of any public officer to sign payment vouchers or an electronic documentation is withdrawn. 			
Condition: <ol style="list-style-type: none"> 12. TCIG does not have an approval policy to guide Accounting Officers and other responsible officers on how to address levels of authority, responsibility and accountability for officers processing payments. 13. The approval process is structured to achieve appropriate review but we noted from examination of transactions that single payments were approved at level one and level two by the same officer. 14. Specimen signatures are not provided for those officer designated to approve payment vouchers and electronic documentation to the Auditor General and none was noted on the approvers request forms and letters. We could not verify whether the signatures certifying and approving the invoices for payment were authorized signatories. 15. The Auditor General is not advised when the authority of any public officer to sign payment vouchers or an electronic documentation is withdrawn or changed during the year. 16. Individual who approve payments have not ensured that: <ol style="list-style-type: none"> a) All transactions comply with all applicable payment regulations and policies. b) Resources have been allocated or are otherwise available via approved budgets, virements and supplementary. 			

- c) Type of payment is appropriate to the operations of the program and the appropriate accounts used.
- d) No previous payments have been made for the goods or services provided. There were at least two duplicate payments noted during the vendor audit.
- e) Goods and services have been received. There were several transaction noted during the vendor audits of individual ministries that were not certified true and correct

17. There is no review of payment transactions after they have been processed to detect and correct errors that were not captured during the approval process. This was noted during our review of the transactions where several payments did not have the appropriate account codes and at least two duplicate payments.

18. Request was made for the list of approvers and their financial limits for 2011 on 2nd April, 2014 via telephone and followed up by email on 4th April, 2014 with deadline for submission on 7th April, 2014. As at 17th June, 2014 the list has not been submitted for review. Secondly, without the listing we were unable to perform audit procedures to ascertain who the authorized 2011 approvers were.

19. Review of the authorized approvers request form and emails for 2013/2014 revealed the following:

- a) 33 departments had one data entry officer. Departments did not make provision for when the person proceeds on leave.
- b) One department had financial limits for their approvers.
- c) There were no specimen signatures for approvers.
- d) Ten approvers were authorized to approve at level 1 and 2.
- e) 23 departments had only one approver at level 1. No provision made for when the officer proceeds on leave.
- f) No evidence of the Accounting Officer's authorization on the forms.

20. Review of the of the authorized approvers request form and emails for 2012/2013 revealed that:

- a) One department had financial limits for approvers.
- b) Director of IT who has administrative access to the system to make changes to the software was also an approver in SmartStream.
- c) There were 41 cases where the ministry/department had only one second level approver.
- d) There were 27 cases where the ministry/department had only one first level approver.
- e) There were 20 cases where the ministry/department had no data entry officers assigned.
- f) There were 27 cases where the ministry/department had only one data entry officer.
- g) There were 5 cases where no first level approvers were listed.
- h) There were 2 cases where no second level approvers were listed.

Response: Acceptable - A comprehensive written approval policy is not yet in place. It will be included in an overall payment processing manual that is currently being developed. The document should be completed by the end of the second quarter.

Cause:

TCIG does not have guideline for responsible officers to follow for approving payments.
Lack of training for Accounting Officers and responsible officers in control over approval process.
Weak controls and management override.

Response: Disagree – It is more accurate to say that there is not a formal written document, since there are guidelines and procedures that are being followed, which will continue to be followed until a comprehensive written approval policy is put in place, which will take into account the recommendations from the NAO.

Effect or potential effect

Officers that are not trained in SmartStream but are authorised to approve payments.
Duplicate payments.
Persons approving their own fictitious expense claims or subsistence.
Excess expenditure without approval.

Response: Potential effects acceptable, but all officers are trained in Smart Stream before giving access to the respective levels.

Recommendation

An approval policy should be developed for TCIG to as a guide for Accounting Officers and responsible officers.

Response: Agreed: A comprehensive approval policy will be more clearly outlined in the payment procedure manual that is being prepared and should be completed by end of September 2014. All Accounting Officers will be provided with a copy and trained to follow through accordingly.

Action Plan

Person Responsible	Athenee Harvey, PS, Finance Arnold Ansley, Accountant General Accounting Officers	Estimated Completion Date

Detailed Findings Reference:

Treasury Systems

Issue #1 – NO SEGREGATION OF DUTIES WITHIN THE CHEQUE ISSUING SYSTEM				
Rank	SIGNIFICANT DEFICIENCY		RISK	MODERATE
<p>Criteria: Best practice requires that there should be segregation of duties within computerized systems. In regards to the Cheque Issuing System, Cashiers should only be able to send and search sent cheques. The Head Cashier should have bank receipting access, and the Operations Manager should have access to add new bank and new bank employee information. Everyone should not have the same access to the system.</p> <p>Condition: Treasury uses the Cheque Issuing System for distribution of cheques to payees. According to Management there should be different levels of access to the Cheque Issuing System. I.e. The Operations Manager, in addition to regular access to windows such as send and search cheque screens for payees collecting cheques, should have access to add new bank and new bank employee information. The Head Cashier should have bank receipting access in addition to regular access. All other cashiers should only have regular access which includes sending and searching cheques for payees collecting cheques.</p> <p>Seven persons are authorized cashiers within the Grand Turk Treasury, one of which is located in the Customs Department. Of the seven authorized cashiers, four persons were tested, which included the Operations Manager and the Head Cashier, to verify their access levels within the Cheque Issuing System.</p> <p>As at October 20, 2014, there was still access issues noted within the system. There seems to have been corrections made to the system because one of the Cashiers tested now has the correct access as compared with last years’ audit. However it is noted that corrections have not been made for the other Cashier tested.</p> <p>Risk: An increased risk of errors and omissions when information is entered into the banking and bank receipting modules of the system. There is also a risk of purposeful sabotage of the system and other staff members.</p> <p>Impact: Possible collusion with Treasury and bank employees due to the fact that Treasury revenue collectors can enter new bank employee information.</p>				
Recommendation				
Management should input proper segregation of duties within the Cheque Issuing System to restrict access to certain functions from those persons who are considered regular users.				
Action Plan				
Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Date	Completion	
Management Response:				
IT Unit has been asked to assist with making the required system adjustment but the application was written by an outside consultant, which is presenting some technical challenges.				
Detailed Findings Reference:		A20/1 – A22/12		

Issue #2 – LACK OF SEGREGATION OF DUTIES				
Rank	MATERIAL WEAKNESS		RISK	MODERATE
<p>Criteria: Segregation of duties is a key concept in internal controls. It is one of the most effective internal controls in combating employee fraud. Segregation of duties contributes to an organization’s system of checks and balances. The concept of segregation of duties is to separate key responsibilities in each business process such as:</p> <ul style="list-style-type: none">• Preparing• Reviewing• Approving• Reconciliation <p>Condition: There is no segregation of duties especially noted within the role of the Accounts Officers responsible for printing cheques. Currently, the Accounts Officers have access to numerous levels considered to be of high importance and security within the Treasury.</p> <ol style="list-style-type: none">1. The Accounts Officers have data entry access to input invoices within Smart Stream.2. The Accounts Officers can create vendors within Smart Stream.3. The Accounts Officers prints cheques.4. The Accounts Officers can prepare wire transfers. <p>Risk: There is a risk of fraudulent activities being committed due to the employee being able to carry out numerous important functions. There could also be a risk of high levels of errors being committed due to possible lack of a second party review.</p> <p>Impact: There can be misappropriation of funds due to the officer’s high level of access and being able to carry out a numerous important functions. Incorrect information can be input into the system if there is no review by a second party.</p>				
Recommendation				
<i>No one person should be responsible for doing everything within an organization. When duties cannot be separated, compensating controls should be considered. Compensating controls can be preventative, detective or monitoring controls that are executed by an independent, supervisory-level employee who does not have preparing, reviewing, approving or reconciliation responsibilities for the process.</i>				
Action Plan				
Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Date	Completion	
Management Response:				
Cross training of staff is an absolute necessity and prudent, so that a relieve person is available in the absence of the individual assigned to a particular task. If there is no relieve person then the department will come to an alt simple because someone is absent. Various staff members are crossed trained but they are only use in the event the assigned is absent.				
Detailed Findings Reference:		A24/1 – A24/5		

Issue #3 – NO FINANCIAL LIMITS STATED ON SMART STREAM SECURITIES LISTING AND CIRCUMVENTING THE APPROVAL PROCESS

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria: PFMR Section 72(2)(3)

An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe the financial limits and other conditions within which the authority may be exercised.

The Accountant General and the Auditor General shall be –

- (a) Advised of the names of the public officers so designated and the financial limits within which they may exercise their authority,*
- (b) Provided with the specimen signatures of those public officers; and*
- (c) Advised when the authority of any public officer to sign payment vouchers or an electronic documentation is withdrawn.*

In accordance with best practice, officers should not be authorized to approve payments at both first and second level within Smart Stream. Additionally, officers should not be approving payments of which they are the beneficiary.

Condition: The Smart Stream Securities listing provided by the Application Technical Support Officer does not show in every instance the financial limits of the officers authorized as approvers. A check of the Workgroup Definition module within Smart Stream also does not state the financial limits of each approver.

Testing carried out on 1,141 Smart Stream transactions of the dollar amount \$76,785,365.66 (over all Ministries and Departments all payments over \$5,000.00) revealed that 72 transactions were approved at first and second level by the same officer, and 82 transactions were without relevant supporting documents attached. The expenditure of those transactions totalled \$18,184,530.97, (\$4,456,339.82 and \$13,728,191.15 respectively).

Risk: There is no clear separation of first and second level approvers in terms of monetary value. As a result Management would not be unable to confirm if approving is taking place at the correct level. Officers approving at both first and second level could result in instances of persons approving payments for which they are the beneficiary. Additionally, officers could be approving invoices that are erroneous, i.e. no supporting documents attached, incorrect account code, department or amount if there is no first level approver to review transactions.

Impact: Unqualified persons approving high amounts. Incorrect information being approved. Approving of fraudulent or fictitious invoices.

Recommendation

There should be adequate separation of duties within the approval process. Approving should be performed by different employees at different levels. One employee should not be approving at both levels or act as data entry and an approver. Management should ensure that the proper steps are taken to properly update

and maintain the Smart Stream Securities listing, and that information is provided in accordance with regulations.

Action Plan

Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Date	Completion	
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Management Response:

Adequate separation was put in place by Accounting Officers and approving at both levels was always discouraged but is allowed by the software. We have approached Smart Stream with a view to make the necessary changes in the software which is expected to be completed in April 2015.

Detailed Findings Reference:

A17/1 – A17/16 & A19/1 – A19/4

Issue #4 – LACK OF ACCESS MANAGEMENT			
Rank	CONTROL DEFICIENCY	RISK	HIGH
<p>Criteria: <i>In accordance with best practice, when a person leaves the Public Service, the user ID and password of that person becomes deactivated and is no longer usable.</i></p> <p>Condition: A summarization of journals for the 2013-2014 period using IDEA was carried out. These journals were summarized by User ID, revealing that a total of 20,555 records had been entered and/or posted by a former employee of TCIG ('HSWASEY'). According to Smart Stream the last payment for this employee was September 2003.</p> <p>Risk: There is a risk that the former employee's user account may not have been deactivated when he/she left the job. The employee could have left the job in a disgruntled nature and could cause damage to the system if access is still available.</p> <p>Impact: As a result the former employee may still have access to the system. If the employee still has access to the system and causes damage, this could result in an uncertain amount of down time for TCIG.</p>			
Recommendation			
<p>Management should ensure that all persons that have left TCIG are properly removed from all systems. The super user status of the above mentioned person should be transferred to an existing employee of the organization.</p>			
Action Plan			
Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Date	Completion
<p>Management Response:</p> <p>The user name is not actually assigned to the former employee instead it is being used by technical support to offer remote assistance to TCIG. The password and other coordinates are very different from what was being used by the former employee, who therefore cannot access the system.</p>			
Detailed Findings Reference:		B4/1	

Issue #5 – IMPROPER PREPARATION OF JOURNAL VOUCHERS AND NO SUPPORT DOCUMENTS ATTACHED TO JOURNAL VOUCHERS

Rank	CONTROL DEFICIENCY	RISK	MODERATE
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Criteria: *In accordance with best practice before a journal is entered on Smart Stream and posted to ledger, Officers prepare a journal voucher report. This report should contain the effective date, a unique journal ID, a description, the details of the journals (line by line), comments if any and the reason for the journal.*

The journal voucher should be signed by the person preparing, reviewing, approving and posting the journal to ledger. All journal vouchers should be accompanied by the relevant support documents.

Condition: All journal voucher files for the 2013-2014 financial year were reviewed to verify that:

1. Proper authorization was given, evidenced by signing the journal voucher reports.
2. Relevant Support documents were attached to all journals.

Of the 855 journals reviewed, 262 journals with the dollar value of \$6,613,672.28 did not have support documents attached. It was also noted that a comparison of the Treasury journal vouchers with no support documents and Smart Stream was carried out. There were differences in amounts noted. Smart Stream shows a total of \$9,579,590.48 journals with no support documents and Treasury files show an amount of \$6,613,672.28.

Additionally, 232 or \$8,376,471.96 of the 855 journals reviewed had the following issues with authorization signatures on the journal report voucher:

1. 42 journal vouchers of the dollar amount \$1,797,959.50 only had a signature on the debit side when there should be two signatures, one authorizing the debit side and one authorizing the credit side.
2. Nine journal vouchers of the dollar amount \$2,552,630.98 only had a signature on the credit side when there should be two signatures, one authorizing the debit side and one authorizing the credit side.

(After the introduction of the new journal voucher report November 6, 2013)

3. Eight journal vouchers of the dollar amount \$5,671.56 had no prepared by signature.
4. 42 journal vouchers of the dollar amount \$1,151,877.55 had no reviewed by signature.
5. 109 journal vouchers of the dollar amount \$1,469,085.54 had no approved by signature.
6. Five journal vouchers of the dollar amount \$22,572.26 had no posted by signature.
7. 17 journal vouchers of the dollar amount \$1,227,445.47 were not signed at all.

Please note that the journal vouchers listed from number 3 – 7 had combined issues that were separated. For example, some journal vouchers had no prepared by, reviewed by or approved by signatures.

It was also noted that the journal vouchers lacked proper descriptions and/or comments to state the purpose of the journal in some instances.

The Treasury issued a new journal voucher report as of November 6, 2013. It was noted that this new journal voucher report made provisions to be signed by the officer preparing, reviewing, approving and posting. It was noted that 'posted by' is usually signed by the same person that has prepared the journal voucher. After explanation, it was determined that posted by on the journal voucher simply means that the journal was entered into Smart Stream and not posted to ledger. There were 72 journal vouchers of the dollar amount \$149,229.10 signed as prepared and posted by the same officer.

Risk: If journal vouchers are not signed (prepared, reviewed, approved, posted) by the relevant personnel, there is a risk of any unauthorized person preparing a journal voucher and that journal being entered into Smart Stream and posted to ledger. Also if journal vouchers are not signed by relevant personnel, there is no confirmation that the journal voucher has been checked for accuracy. If the relevant support documents are not attached to the journal voucher, there is a risk of not knowing the reason for the journal or there being no justification for the journal.

Impact: As a result of not carrying out the proper steps in preparation of the journal voucher, this could result in irrelevant and/or fictitious information being entered into Smart Stream and subsequently posted to ledger.

Recommendation

All journal vouchers should be signed prepared, reviewed, approved and posted by the relevant personnel. All journal vouchers should be accompanied by the relevant support documents in all instances. The current journal voucher form should be amended to state posted to ledger and signed by the person actually posting the journal to ledger. The area which states prepared by, could be used for the person signing as simply having entered the journal on Smart Stream instead of that person signing in both the prepared by and posted by areas.

Action Plan

Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Completion Date	
Management Response:			
Journal vouches are currently being used as recommended.			
Detailed Findings Reference:		B3/1 – B3/28	

Issue #6 – OVERLAPPING OF CHEQUES BEING ISSUED AND/OR RETURNED AS SHOWN IN THE RECORD BOOK			
Rank	CONTROL DEFICIENCY	RISK	MODERATE
<p>Criteria: <i>In accordance with best practice, record books should be maintained which shows when TCIG Official cheques are issued and/or returned to and from the Accounts Payable Department for printing. These record books should show the date the cheques were issued and/or returned, the relevant cheque numbers of cheques being issued and/or returned, the signatures of all relevant personnel upon issue and/or return and comments where applicable.</i></p> <p>Condition: The Head Cashier is the custodian of TCIG official cheques, that includes all blank cheques, returned cheques, payroll cheques and cancelled cheques. A record book is maintained for cheques being issued to and returned to the Head Cashier by the Accounts Payable Department.</p> <p>It was noted that the same record book is being used for cheques issued, returned (returned being cheques not used in the pay run) and cheques cancelled by the Accounts Payable Department.</p> <p>The record book currently shows the date, description (which states 'Cheques' during issue and 'Returned' when cheques are returned), the cheque numbers and the signature of the officers (the issuing officer which is the Head Cashier and the Accounts Officer collecting the cheques). The back of the book is used to show payroll check collection and return and cancel cheque return.</p> <p>It was noted that sometimes cheque numbers, being those issued and returned sometimes overlap which makes it difficult to understand what has been issued and what has been returned. For example, on February 2, 2014, the Head Cashier issued cheque numbers 27873 – 27924, on that same day cheque numbers 27854 – 27872 were returned, then cheque numbers 27854 – 27872 were re-issued and the Accounts Officer subsequently returned cheque numbers 27866 – 27924.</p> <p>Risk: Due to separate books not being used there is a risk of errors, cheque numbers seen to be overlapping and overall confusion when reviewing information.</p> <p>Impact: Due to separate books not being used to show cheques issued and/or returned persons could become confused when trying to analyse the information. There is also a possibility of information being inaccurate.</p>			
Recommendation			
Separate record books should be maintained to show cheques being issued, returned and cancelled.			
Action Plan			
Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Date	Completion
Management Response:			
We don't believe that simply adding another book and more bureaucracy would add any value to the process.			
Detailed Findings Reference:		A26/1 – A26/14	

Issue #7 – INFORMATION REQUESTED NOT PROVIDED			
Rank	MATERIAL WEAKNESS	RISK	MODERATE
<p>Criteria: <i>The National Audit Office Ordinance 2012, Section 21 (1) and 30(1)(a)(b) and Section 30(2) states:</i></p> <p><i>21(1) When performing his or her duties in terms of this Ordinance –</i></p> <p style="padding-left: 40px;"> <i>(a) The Auditor General may, in writing, require from any person in the employment of any office, ministry, agency or statutory body such information and explanations as are necessary for the purposes of an examination, inquiry and audit in terms of this Ordinance;</i> </p> <p style="padding-left: 40px;"> <i>(b) The Auditor General or any staff member of the National Audit Office authorised by him or her or any person appointed under subsection (2) –</i> </p> <p style="padding-left: 80px;"> <i>(i) Has access at all reasonable times to any records, books, vouchers, other documents, moneys, stamps, securities, stores, equipment and other property of the Government or a statutory body in the possession or under the control of any person and which are necessary for the purposes of an examination, inquiry and audit in terms of this Ordinance;</i> </p> <p style="padding-left: 80px;"> <i>(ii) May, without payment of any fee, examine and make copies of or extracts from any record, book, document or other information of an office, ministry, agency or statutory body whose accounts are being examined and audited by him or her.</i> </p> <p><i>30(1) A person commits an offence if that person –</i></p> <p style="padding-left: 40px;"> <i>(a) Without reasonable excuse and contrary to section 21 (1)(a), fails to provide the Auditor General or a person authorised by him or her with all such explanation and information as the Auditor General or that person may reasonably require;</i> </p> <p style="padding-left: 40px;"> <i>(b) Without reasonable cause fails to provide, or wilfully obstructs access to, any item as required by of section 21(1)(b);</i> </p> <p style="padding-left: 40px;"> <i>(2) A person convicted of an offence under subsection (1) shall be liable to a fine not exceeding \$20,000 or imprisonment for two years or both.</i> </p> <p>Condition: Numerous requests for information in the form of emails were sent to the Accountant General and the staff of the Treasury. Whilst we acknowledge the receipt of most of the information requested, it is noted that all information requested has not been provided. Information still outstanding consists of:</p> <ul style="list-style-type: none"> • The procedures involved in the preparation, production and preparation of Financial and/or Management reports. • Information on how often these reports are issued • And, information on the controls in place to ensure the accuracy of the data presented within these reports. 			

Additionally, it must also be noted that most of the information requested from Treasury was provided after the deadlines given had passed.

Risk: This may be due to a lack of organization within the department and members of staff not performing their duties as set out in the criteria.

Impact: A lack of information can cause a negative impact on the department. This could force the National Audit Office to issue an unfavourable report on the area.

Recommendation

Management should be better organized and prepared to provide information to the National Audit Office as required or requested. If Management is unable to provide the necessary information at the required deadline, this should be communicated to the National Audit Office.

Action Plan

Person Responsible	Athenee Harvey – PS Finance Arnold Ainsley – Accountant General	Estimated Date	Completion
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Management Response:

All effort is made to complete and provide information requested of the Treasury on a timely basis.

Detailed Findings Reference:

A6/1

Management of Property, Plant and Equipment

Issue #1 - Management of Property, Plant and Equipment.			
Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
<p>Criteria</p> <p>IAS 16 Property Plant and Equipment requires that:</p> <p>Property, plant and equipment should be recognized as an asset if there is possible future economic benefit and cost of asset can be measured. They should be measured initially at cost less accumulated depreciation.</p> <p>IPSAS 17 Property Plant and Equipment</p> <p>Property, plant, and equipment are tangible items that:</p> <p>(a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</p> <p>(b) Are expected to be used during more than one reporting period.</p> <p>PFMR Non-current Assets</p> <p>127. (1) Non-current assets are assets that, by their nature, have useful lives extending over more than one fiscal year, and include all major items of furniture and equipment for either Government offices, quarters, plant, equipment, and larger tools for Government works, vehicles and launches, owned by the Government of the Turks and Caicos Islands.</p> <p>(2) Such assets are required to be retained until they are finally written-off and disposed of because they are either unserviceable or are of no further use to the Government; and while the overall responsibility for such assets or equipment rests with the relevant Accounting Officer, the public officers to whom the assets are issued have the primary responsibility over their custody, maintenance, safeguarding and proper use until they are returned to store.</p> <p>(3) When the occupant of an office, quarter or location, or other person having charge or use of the equipment or furniture changes, there shall be an appropriate hand-over to the incoming public officer.</p> <p>128. A register, in a form approved by the Accountant General shall be maintained for all assets, and all such assets shall also be appropriately marked or engraved to ensure that they are easily identifiable as Government assets.</p> <p>PFMR Board of Survey</p> <p>134. At the end of each financial year, the Boards of Survey may check the assets held by Ministries and departments of the Government.</p> <p>PFMR 109 Board of Survey</p> <p>(5) The Permanent Secretary, Finance shall be responsible for ensuring that the duties assigned to the Board of Survey are effectively discharged, and appropriate action taken for any failure on the part of the Board to discharge its duties properly.</p> <p>(6) Accounting Officers shall follow up and implement the recommendations of the Boards of Survey as they apply to their respective Ministries or departments with the authority of Permanent Secretary, Finance; and the Accountant General shall ensure that Accounting Officers implement those recommendations.</p> <p>(7) The Permanent Secretary, Finance shall follow up the implementation of the recommendations of the Board of Survey carried out in respect of the Accountant General.</p>			

Condition

1. Property plant and equipment is not included in the Statement of Financial Position as assets but as a note to the statements.
2. The registers do not contain valuation for items of property plan and equipment.
3. Noted from Appropriation Ordinance 2014, Development Budget by Ministry and Project, the unaudited actual spent to acquire and improve property, plant and equipment for 2013-2014 was \$8.2 million.
4. The members of the Board of Survey for the Police reported that they went to Provo and upon arrival they were informed that the Police did not have any transportation available to assist them at the time. One of members borrowed a family vehicle and was able to visit the Police Stations in Chalk Sound and Five Cays. The members also stated that they were not able to visit the other station because of lack of transportation and insufficient time to perform the survey due to number of station in Provo.
5. The Accounting Officers were not informed of the finding resulting from the surveys.
6. All Ministries and Departments did not have up to date asset registers to provide the member of the Board of Survey so they were unable to compare the registers with the physical counts.
7. Ministry of Government Support services provided a listing of Government properties. The listing consist of 169 properties throughout the Turks and Caicos Islands such as the schools (secondary and Primary), the Airports, office buildings, community centres, clinics and houses. The listing Property register contain parcel numbers and status of the buildings but no valuation for any of the properties.
8. The listing did not include properties such as the Radar station and the Causeway.

Cause

Records for property, plant and equipment are not accurate and up to date.

Officers were not trained to maintain proper registers.

Lack of training for the members of the Board of Survey officers on effectively and efficiently completing surveys.

Lack of awareness of the Board of Survey's objective and duties by members of the Board.

Lack of awareness of the significance of the Board of Survey by Public Officers.

Lack of supervision of officers maintaining PPE records.

Lack of resources provided to the Members of the Board of Survey to do an effective and efficient surveys.

Effect or potential effect

TCIG does not have an estimate value for its non-current assets.

Inaccurate financial reporting.

Recommendation

Accounting Officers should ensure that ministries and departments maintain complete and accurate registers for non-current assets.

Ministry of Finance should inform the Accounting Officers of all the finding for their Ministries and Departments.

Adequate resources should be provided to the Board of Survey so that Surveys can be carried effectively and efficiently.

The Chairman of the Board of Survey should develop programs to bring awareness of the Board of Survey, its duties and responsibilities.

Accounting Officers should also make every effort to provide assistance to the members of the Board of Survey

so of their Ministries and Departments are carried out effectively and efficiently.

Action Plan

Person Responsible	PS, Finance Accounting Officers Accountant General Chairman of the Board of Survey	Estimated Date	Completion
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Management Response:

Accounting Officers have been advised about the need to maintain registers, which are now in place in most departments. The board of survey will be provided with the resources necessary to carry out this important task. The chairman is charged with developing a program of awareness, regarding its duties and responsibilities.

Detailed Findings Reference:

Management of Inventory

Issue # - Management of Inventory.			
Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
<p>Criteria</p> <p>IPSAS 12 Inventory</p> <p>Inventories are assets</p> <p>(a) In the form of materials or supplies to be consumed in the production process;</p> <p>(b) In the form of materials or supplies to be consumed or distributed in the rendering of services;</p> <p>(c) Held for sale or distribution in the ordinary course of operations; or</p> <p>(d) In the process of production for sale or distribution.</p> <p>Inventories in the public sector may include:</p> <p>(a) Ammunition;</p> <p>(b) Consumable stores;</p> <p>(c) Maintenance materials;</p> <p>(d) Spare parts for plant and equipment, other than those dealt with in standards on Property, Plant and Equipment;</p> <p>(e) Strategic stockpiles (for example, energy reserves);</p> <p>(f) Stocks of unissued currency;</p> <p>(g) Postal service supplies held for sale (for example, stamps);</p> <p>(h) Work-in-progress, including:</p> <p>(i) Educational/training course materials; and</p> <p>(ii) Client services (for example, auditing services), where those services are sold at arm's length prices; and</p> <p>(i) Land/property held for sale.</p> <p>PFMO 2012</p> <p>36. (1) Every ministry and department of government shall maintain adequate records of stores.</p> <p>(2) The Minister may make regulations or issue orders governing the acquisition, receipt, issue, custody and control of such stores.</p> <p>(3) Every person shall be personally responsible for the proper custody, care and use of government stores under his or her control.</p> <p>(4) An accounting officer shall be responsible for the general supervision and control of all government stores held within the ministry or department under him or her and for the due performance of their duties by his or her subordinate staff in relation thereto.</p> <p>PFMR 118</p> <p>118. (1) Stores are accounted for by value as well as by quantity, and it is necessary to keep records so as to determine the unit cost of each stock item and the reconciliation of the total value of the stocks with the financial records.</p> <p>PFMR 109 Board of Survey</p> <p>(5) The Permanent Secretary, Finance shall be responsible for ensuring that the duties assigned to the Board of Survey are effectively discharged, and appropriate action taken for any failure on the part of the Board to discharge its duties properly.</p> <p>(6) Accounting Officers shall follow up and implement the recommendations of the Boards of Survey as they</p>			

apply to their respective Ministries or departments with the authority of Permanent Secretary, Finance; and the Accountant General shall ensure that Accounting Officers implement those recommendations.

(7) The Permanent Secretary, Finance shall follow up the implementation of the recommendations of the Board of Survey carried out in respect of the Accountant General.

Condition

Due to lack of resources the NAO was unable to perform physical verification of stores throughout the TCIG and has relied on the information provided by the Board of Survey 2014. Review of the Board of Survey information, the financial Statement 2013-2014 and supporting documents revealed the following:

1. Note 17 Inventories of the financial statements of the TCIG for 2013-2013 disclosed total inventories as \$580,937. Review the Board of Survey March 2014 documentation of survey of stores throughout the TCIG, the total inventories were \$1,694,614. Included in the Board of Survey total but not in Treasury's statements were various stocks of text books and stamps sold by schools and Post Offices throughout the Turks and Caicos totalling over \$1,113,677.

Financial Statements 2013-2014		Board of Survey March 2014	
Ministry	Total	Ministry	Total
Min of Border Control	38,800	Min of Border Control	
Min of Environment & Home Affairs	16,118	Min of Environment & Home Affairs	
Min of GSS	502,001	Min of GSS	1,561,629
Min of Education	6,083	Min of Education	60,030
Min of Finance		Min of Finance	72,956
Total	580,937	Total	1,694,614
Difference between Treasury and Board of Survey			1,113,677

2. The Board of Survey documents show the following locations had items for sale but no valuations were provided during the survey:
 - i. H J Robinson High School – Text Books
 - ii. Iris Stubbs Primary School – Text Books
 - iii. Doris Robinson Primary School – Text Books
 - iv. Ianthe Pratt Primary School – Text Books
 - v. Mary Robinson Primary School – Text Books
 - vi. Oseta Jolly Primary School – Text Books
 - vii. Enid Capron Primary School – Text Books
 - viii. Adelaide Oemler Primary School – Text Books
 - ix. Hubert James Primary School – Text Books
 - x. Marjorie Basden High School – Text Books
 - xi. Education Department Provo – Text Books
 - xii. Education Department Grand Turk – Text Books
 - xiii. Road Safety Provo – License Plates, Decals etc.
 - xiv. Road Safety Grand Turk – License Plates, Decals, etc.
 - xv. Kew Clinic – Medication
 - xvi. South Caicos Clinic – Medication.
 - xvii. Primary Health Care Provo – Medication.

- xviii. Blue Hills Community Clinic – Medication
 - xix. Conch Bar Clinic Middle Caicos – Medication
 - xx. Bottle Creek Clinic North Caicos
3. The following other locations had items in stores but the valuation was not provided for the Board of Survey:
 - i. EMS Mechanical Services Division – Vehicle Spares – Tires, etc.
 - ii. Disaster Management – Disaster items – beds, tarps, equipment, etc.
 - iii. Primary Health Care – Medication.
 - iv. Environmental Health – Vector control items.
 - v. Wellness Centre – Rations.
 - vi. Police – Uniforms, Shoes, Armoury, etc.
 - vii. H M Prison – rations
 - viii. Customs Department – Uniforms
 - ix. Water Undertaking – Meters, spares
 4. The Board of Survey information was incomplete in that it did not contain information on the security, layout and fire precautions for 22 out of 47 stores.
 5. The members of the Board of Survey for the Police reported that they went to Provo and upon arrival they were informed that the Police did not have any transportation available to assist them at the time. One of members borrowed a family vehicle and was able to visit the Police Stations in Chalk Sound and Five Cays. The members also stated that they were not able to visit the other station because of lack of transportation and insufficient time to perform the survey due to number of station in Provo. Surveys were not performed on the armouries throughout the TCI and of other items in stores such as uniforms.
 6. The Accounting Officers were not informed of the finding from the surveys as required by PFMR 109 (6).
 7. All Ministries and Departments did not have updated asset registers to provide the member of the Board of Survey so they were unable to compare the registers with the physical counts.
 8. Accounting Officers for the following Ministries did not provide Treasury with complete and accurate information for stores within their Ministries and Departments:

Statement of Unallocated Stores and Other Assets 2013-2014		Board of Survey March 2014		Difference
Ministry	Total	Ministry	Total	Total
Min of GSS	502,001	Min of GSS	1,561,629	1,059,628
Min of Education	6,083	Min of Education	60,030	53,947
Min of Finance		Min of Finance	72,956	72,956
Total	580,937	Total	1,694,614	1,186,531

Cause

Complete and accurate store records were not being maintained.
 Lack of general supervision and control over stores by Accounting Officers and responsible officers.
 Noncompliance with PFMR 118 which requires store records to be maintained by value and quantity.

Officers were not trained to maintain proper stores records.
 Members of the Board of Survey were not adequately trained to effectively and efficiently complete surveys.
 Lack of awareness of the Board of Survey's objective and duties by members of the Board.
 Lack of awareness of the significance of the Board of Survey by Public Officers.

Effect or potential effect

Understatement of inventory on the financial statement due to lack valuation for stock at some locations.
 Poor maintenance of records may lead to theft or misappropriation or misuse of items.

Recommendation

Accounting Officers should ensure that complete and up to date inventory records are maintained for all TCIG stores. Officers should be assigned to supervise all stores for each Ministry. Further, officers responsible for stores should be trained on maintaining store records.

The Accounting Officer should ensure that all member of the Board of Survey are trained to perform surveys and to prepare report for surveys.

The Board of Survey should have an awareness program to educate Public Officers on their significance and how their cooperation during the survey can assist with the effectiveness and efficiency of the Board.

Accounting officers should ensure that public officers cooperate with the members of the Board of Survey.

Action Plan

Person Responsible	PS, Finance Accounting Officers Accountant General Chairmen, Board of Survey	Estimated Completion Date
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Management Response

Ministry of Finance

Accounting Officers will be reminded of their responsibilities as recommended.

Ministry of Education

The annual Board of Survey 2013/14 commenced 31 March to April 1st, 2014. There were participants stationed at the various primary schools to count the inventory of text books as at the day of visit. From the Board of Survey visit, the total reported from the reports amounted to \$61,118.90. During the submission of the financial statements the MOE reported \$6,083. The reason for the difference is due to the timing of the reporting. During the compilation of the Financial Statements 2013/14 on behalf of the Ministry all of the information wasn't produced; therefore the amount of \$6,083 was reported. The difference in amounts reported is resulted from the timing of the Financial Statements being produced and the time the BOS commenced.

The Ministry will ensure that inventory list will be on hand to assist the Board of Survey inspections.

Detailed Findings Reference:

Advances and loans not managed in compliance with PFMR

Issue #1 - Advances and Loans were not managed in compliance with PFMR.			
Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
<p>Criteria</p> <p>PFMO 2012</p> <p>32. (1) The Minister may by a warrant signed by him or her and address to the Accountant General-</p> <p>(b) authorise advances during the year to public officers up to the total specified in the warrant for the purpose of funding expenditure approved under the Appropriation Ordinance or a Supplementary Appropriation Ordinance and those advances shall be repaid on a date specified by the Accountant General but not later than three months after the date of issue of the advance.</p> <p>(2) Request for advances in excess of the specified limits as set out in the regulations shall first require the approval for the Governor.</p> <p>PFMR 2012</p> <p>Authority for Loans and Advances</p> <p>81. (1) The grant of loans and advances from public moneys or funds is strictly limited and such loans and advances may only be made by the Accountant General under the authority of an advance warrant under the hand of the Minister and for the purposes stated in the Ordinance.</p> <p>(2) All such advances shall be retired in the financial year, in which they are made, and no advance account or loan account shall be opened, nor will any action be taken by any public officer, which will result in the issue of an advance or loan without the prior approval of the Accountant General.</p> <p>(3) Any public officer taking action prohibited under subparagraph (2) shall be liable to a surcharge under Part VIII of the Ordinance.</p> <p>Loans and Advances to be Secured by Agreements</p> <p>82. (1) All loans and advances, other than those for Standing or Temporary imprests and those in respect of staff advances shall be secured by legally enforceable agreements in a form approved by the Attorney General.</p> <p>(2) The agreements, which must clearly specify the full details of the advance, including the amount, the terms of repayment or recovery, the collateral security (if any) and the rates of interest, shall be properly executed by all parties, and shall be retained in safe custody in a strong room or safe.</p> <p>Accountant General to Control Issues and Repayments</p> <p>83 (1) The Accountant General shall be responsible for ensuring that repayments of advances are made strictly in accordance with the terms and conditions attached to the advances.</p> <p>(2) Without limiting the generality of sub-regulation (1) of this Regulation, the Accountant General shall, in particular ensure that—</p> <p>(a) payments are made only to persons entitled to them;</p> <p>(b) suitable terms and conditions have been approved to safeguard the repayment or recovery of the advance;</p> <p>€ interest is charged where applicable;</p> <p>(d) recovery of the advance is not overlooked or delayed;</p> <p>€ where appropriate, collateral security is held by the Government; and</p> <p>(f) proper accounts and controls are kept and the necessary recoveries effected.</p> <p>Best practice was that two advances are issued per person per year to public officers.</p>			

IAS 39 and IFRS 9 – Financial Instruments

Loans to employees should be:

Low Interest Loans:

1. Listed on Statement of Financial Position as employee advances, other assets or other receivables.
2. Recorded at fair value on initial recognition (IAS 39.43). Fair value estimated cash flows, discounted at market rate of loan.
3. Subsequently, accounted for at amortized cost with interest income determined using effective interest method.

Short Term Advances

Employee loans on short-term basis should be recorded at face value if no interest is charged and the effect of discounting is material.

Condition

1. Review of the Statement of financial Position to ascertain whether loan and advances to public officers and public bodies were adequately presented and recognized as required by IAS 39 and IFRS 9 revealed the following:
 - a) Total advances and loans were presented in the Statement of Financial Position as total Receivables from Exchange Transactions as required.
 - b) Since TCIG did not charge interest on any of the loans and advances issued during the year, all loans were recognized at face value as required.
2. Review was carried out of 283 loan and advances accounts for the period 2013-2014 to ascertain whether they were in compliance with PFMO 32 and PFMR 81, 82 and 83. The results of the review are as follows:
 - a) No advance warrant was prepared and approved for advances for financial year 2013/2014 as required by PFMO 32 (b) and PFMR 81 (1).
 - b) All advances and loans issues for financial year 2013/2014 were not retired; in fact the balance on staff advance account at the end of the financial year was \$66,606.22. Included in the end of year balance were unpaid advances and loans totalling \$55,695.55 (29 loans and advances) from the previous financial year (2012/2013).
 - c) There were 31 advances totalling \$64,142.69 that had repayment periods more than three month as required by PFMO 32 (b).
 - d) Six employees were issued advances during the year that did not repay outstanding balances for previous loans and advances.
 - e) 22 employees were issued more than two advances and loan for the financial year.
 - f) Unpaid TCIG Christmas Advances from the previous year, 2012, totalled \$5,388.33. At least three persons with outstanding Christmas Advances totalling \$4,100 left the service.
3. An ex-employee of the TCIG advance account had a balance of \$55,930.38 at 31st March, 2014. The ex-employee entered into a payment plan where he is required to pay TCIG \$750 per month until the balance is repaid. The total repayments for 2013/2014 was \$1,700, the amount that should have been paid was \$9,000 if the ex-employee had complied with the payment plan.

Cause

Non- compliance with PFMO 32 and PFMR 81 -83.

Mis-management of advances.

Effect or potential effect

Unpaid advances resulting in TCIG having to cover the cost to financial institutions or write off of loans and advances issued by TCIG.

Recommendation

The Accountant General must ensure that loans and advances issued to public officers and public bodies are issued and repaid in accordance with PFMO 31 and PFMR 81 -83. Further, advances and loans should be reconciled monthly to ensure that repayments are made when due and the Accounting General should seek to recover all outstanding loans and advances.

Action Plan

Person Responsible	PS, Finance Accountant General Director of Human Resources	Estimated Completion Date
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Management Response

A new staff advance policy has been implemented and being followed and advances are now being collected within the three months specified by PFM.

Detailed Findings Reference:

Travel Advances not managed in compliance with PFMR

<i>Issue #1 - Advances and Loans were not managed in compliance with PFMR.</i>			
Rank	SIGNIFICANT DEFICIENCY	RISK	MODERATE
<p>Criteria</p> <p>PFMO 2012</p> <p>32. (1) The Minister may by a warrant signed by him or her and address to the Accountant General-</p> <p>(b) authorise advances during the year to public officers up to the total specified in the warrant for the purpose of funding expenditure approved under the Appropriation Ordinance or a Supplementary Appropriation Ordinance and those advances shall be repaid on a date specified by the Accountant General but not later than three months after the date of issue of the advance.</p> <p>(2) Request for advances in excess of the specified limits as set out in the regulations shall first require the approval for the Governor.</p> <p>PFMR 2012</p> <p>Authority for Loans and Advances</p> <p>81. (1) The grant of loans and advances from public moneys or funds is strictly limited and such loans and advances may only be made by the Accountant General under the authority of an advance warrant under the hand of the Minister and for the purposes stated in the Ordinance.</p> <p>(2) All such advances shall be retired in the financial year, in which they are made, and no advance account or loan account shall be opened, nor will any action be taken by any public officer, which will result in the issue of an advance or loan without the prior approval of the Accountant General.</p> <p>(3) Any public officer taking action prohibited under subparagraph (2) shall be liable to a surcharge under Part VIII of the Ordinance.</p> <p>Loans and Advances to be Secured by Agreements</p> <p>82. (1) All loans and advances, other than those for Standing or Temporary imprests and those in respect of staff advances shall be secured by legally enforceable agreements in a form approved by the Attorney General.</p> <p>(2) The agreements, which must clearly specify the full details of the advance, including the amount, the terms of repayment or recovery, the collateral security (if any) and the rates of interest, shall be properly executed by all parties, and shall be retained in safe custody in a strong room or safe.</p> <p>Accountant General to Control Issues and Repayments</p> <p>83 (1) The Accountant General shall be responsible for ensuring that repayments of advances are made strictly in accordance with the terms and conditions attached to the advances.</p> <p>(2) Without limiting the generality of sub-regulation (1) of this Regulation, the Accountant General shall, in particular ensure that—</p> <p>(a) payments are made only to persons entitled to them;</p> <p>(b) suitable terms and conditions have been approved to safeguard the repayment or recovery of the advance;</p> <p>€ interest is charged where applicable;</p> <p>(d) recovery of the advance is not overlooked or delayed;</p> <p>€ where appropriate, collateral security is held by the Government; and</p> <p>(f) proper accounts and controls are kept and the necessary recoveries effected.</p> <p>Travel Policy</p> <p>1.7</p>			

Incidental expenses, which are sometimes simply referred to as "incidentals," are costs that are incurred as part of daily life during business activities. Examples include taxi fare, roaming charges, and the cost for an Internet connection. Personal expenses, such as a haircut or purchase of clothing or toiletries, are not covered.

Monitoring Travel

12.1

A summary of overseas travel undertaken by the Governor, Premier, each Minister and Senior Government Officers and the Chairman and Chief Executive Officers of statutory bodies during the year must be published at the end of the financial year.

12.2

Where an agency has not undertaken overseas travel during the year, a nil return will be submitted to the Office of the Premier.

12.3

To ensure accuracy and accountability for the content of each agency's summary, returns will be approved by each Ministry's Accounting Officer and Finance Officer prior to submission to the Office of the Premier whom will be responsible to prepare and submit an information paper to Cabinet at the end of the financial year prior to publication. Responsibility for the accuracy and content of these returns lies with each Minister's Office.

Daily subsistence Allowance (DSA)

15.1

Daily Subsistence Allowance (DSA) comprises TCIG total and maximum contribution towards such charges as lodging, meals, transport cost from place of lodging (duty station) to the first place of official business, and vice versa, and other payments made for personal services rendered.

15.3

The Financial Managers in each Ministry and public body must maintain a DSA Register, to indicate the amount of DSA issued, surplus recouped by TCIG and submit the details to the Ministry of Finance regularly by the 15th of each month.

15.4

All expenses and out of pocket costs must be documented and receipts kept and settled upon return to office. If costs are lower than the advance then the excess must be repaid to the Treasury. Claims cannot be made for expenditures over and above the issued DSA.

15.8

Within 15 days of return to their base, All Ministers, Government Officers and employees of public bodies are required to submit their expense claim and receipts or credit card statements (for some expenses) to the Accounting Officer that will be compared to the original DSA awarded. If the actual expenses incurred are less than the DSA awarded, the surplus will be repaid.

15.9

It is the responsibility of All Ministers, Government Officers and employees of public bodies to ensure prompt submission of ALL receipt and any surplus balance from the DSA are repaid. If a travel claim is not submitted to the Accounting Officer within 15 days of return, the Accounting Officer shall notify / remind the Officer that the claim has not been made and that failure to provide receipts and make the necessary payment to Government

or the relevant public body of the unused amount of the DSA, would result in the full DSA where no return has been made or the unaccounted for portion of the DSA amount being deducted from their next salary. Where any portion of a DSA advanced remains unaccounted for or has not been repaid, the relevant Officer would not be entitled to receive a subsequent DSA. Although, the Officer would not be prevented from business travel. A similar procedure must be applied in all public bodies.

Treasury

During 2013-2014 Treasury had undertaken the responsibility to review all retired claims to ensure that they were in compliance with the Travel Policy.

During 2013-2014 all expenditure for overseas travel required the approval the Chief Financial Officer (CFO). Copy of the CFO approval was required to be attached to the SmartStream invoice so that Treasury and approvers had evidence that the trip was approved by the CFO.

Condition

Travel advances were examined to ascertain whether:

- i. All travel advances issued were retired within 15 days of return to base
- ii. The travel advances issued were approved by the CFO.
- iii. Daily Subsistence Allowance was in keeping with the Travel Policy.
- iv. Appropriate expenses were being claimed by employees.
- v. All receipts were submitted with claims.
- vi. Claims were reviewed by responsible officers to ensure compliance with the policy.
- vii. Daily Subsistence Allowance (DSA) comprises TCIG total and maximum contribution towards travel expenses.

The following records were examined in respect of travel advances:

- SmartStream transactions for subsistence allowances from accounts 32401 – International Travel Accommodations and Subsistence and 32404- Ministers Internal Travel Allowances.
- Travel Advance Claims submitted to Treasury for review.
- Receipts for travel advances.
- Treasury journals for travel advances.

1. There were nine transactions where officers approved at level one or level two for their own travel advance totalling \$15,194.94.

Ministry	Exception \$	Exception No.
Governor's Office	4,064.40	3
Attorney General's Chambers	10,030.54	4
Ministry of Finance	1,100.00	1

2. Claims retired to Treasury were compared with the transaction in account 32401 International Accommodations and Subsistence to ascertain whether all claims were review by Treasury. The results of this review is seen in the table below:

Ministry	Subsistence Total	Claim Retired To Treasury	Claims not Retired
Governor's Office	7,929.40	1,000.00	6,929.40
Police	26,182.63	350.00	25,832.63
Attorney General's Chambers	34,286.81	3,200.00	31,086.81
Judiciary	2,734.00	-	2,734.00
Office of the Premier	65,239.87	21,755.00	43,484.87
Ministry of Border Control	10,100.00	2,400.00	7,700.00
Ministry of Environment	4,725.00	800.00	3,925.00
Ministry of Government Support Services	18,250.00	1,540.00	16,710.00
Ministry of Finance	55,613.58	17,258.04	38,355.54
Ministry of Health	20,972.80	-	20,972.80
Office of the Deputy Governor	20,062.17	8,150.00	11,912.17
Ministry of Education	9,663.58	-	9,663.58
Office of the Director of Public Prosecutions	7,800.00	2,800.00	5,000.00
Totals	283,559.84	59,253.04	224,306.80

3. Total subsistence paid from account 32404 Minister Travel Allowances for 2013-2014 was \$40,768.23. The total claims submitted to Treasury for review was \$5,600.
4. The total subsistence transactions that did not have Chief Executive Officer Approval attached to the SmartStream invoice were 24 totalling \$18,822.63.
5. Review of claims retired file at the Treasury revealed the following:
 - a) 49 travel advance claims were reviewed by Treasury out approximately 209 travel advances issued.
 - b) One Officer was paid an advance of \$3,500 and incurred expensed totalling £2,465.52 and was required to retire \$1,034.38. The exchange rate was not considered when reviewing the claims.
 - c) One office had an advance of \$800 and retired \$410 but did not provide receipts to support the expenses incurred.
 - d) There were five claims totalling \$3,626.46, £1,281.20 and BDS\$1,152.36 where receipts supporting the claims had the total outstanding but the claims were processed by Treasury.
 - e) There one case where the receipt attached to the claim for an officer for accommodation was altered. An officer made changes to the figures on the receipts.
 - f) There were at least five cases where officers were reimbursed for expenses incurred over and above the DSA in contravention of the Travel Policy section 15.4.
 - g) An officer was issued a Travel advance of \$3,000 and submitted claim for non-business related expenses such as an Apple adapter for \$52.57, clothes from the Gap for \$37.79 and make-up totalling \$91.89. The officer hotel bill was also overstated by \$222.
6. 29 transactions were tested to ascertain whether public officers submitted their expense and receipts and paid in any surplus within 15 days as stipulated in the Travel Policy section 15.8. The results of the review are as follows:

Time	Within 15 days	1-2 Months	3-4 Months	7-8 Months
No.	4	19	4	2

7. Request was made to the Office of the Premier for the following information to ascertain whether a summary of overseas travel for the governor, Premier, each Minister and Senior Government Officers and the Chairman and Chief Executive Officers of Statutory bodies were published as the end of the financial

year as required by section 12 of the Travel Policy:

- Returns from Ministries and Statutory Bodies,
- Summary of overseas travel undertaken by the Governor, Premier, each Minister and Senior Government Officers and Chairman and Chief Executive Officers of statutory for the financial year 2013-2013.
- Copy of the published report.
- Copy of the information paper sent to Cabinet.
- Media through which the report was published.

To date the above information was not provided for review.

8. Travel Registers were reviewed for the following Ministries and the results of the review are as follows:

- Ministry of Health and Human Services - Did not have date of retirement of advance, receipt number for any retired amount.
- Ministry of Finance – Complete and accurate, it contained relevant information to enable the Ministry to monitor travel and ensure that advances are retired.
- Ministry of Environment – Did not contain dates for retirement of advance, receipt numbers for amount retired to Treasury and payment dates.
- Office of the Premier – Travel advance information was not entered for three officers (entry contained officers names, dates of travel destination, airline but did not contain amount of advance issued, total travel expenses and amount retired to Treasury). Also it did not record date of retirement of advance and receipt numbers for items that were retired.

Cause

Non-compliance with the Travel Policy.

Lack of understanding of the Travel Policy.

Lack of training for responsible officers.

Poor of management of travel advances by Ministries and Departments.

Lack of accessibility to those affected by the policy.

No reconciliation of advances and repayments by Ministries and Departments.

Effect or potential effect

Unpaid advances may result in TCIG having to cover the cost or write off of loans and advances.

Recommendation

Accounting Officers must ensure that controls are in place to monitor and reconcile travel advances. All Officer issued travel advances should ensure that they adhere to the requirements of the Travel Policy and retired travel advances within the required time.

Action Plan

Person Responsible	PS, Finance Accountant General Accounting Officers	Estimated Completion Date
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Management Response

Management of the travel advance process was being handled by the finance managers but the travel policy was changed in November 2014, so that advances will no longer be necessary.

Detailed Findings Reference:

No reconciliation for some deposit accounts

Issue #1 No reconciliation for some deposit accounts			
Rank	CONTROL DEFICIENCY,	RISK	LOW
<p>Criteria:</p> <p>Public Finance Management Regulations (PFMR)</p> <p>93. (1) Deposit accounts may only be opened with the specific approval of the Accountant General and for the purpose of accounting for moneys owed to a third party.</p> <p>(2) The responsibility for keeping proper accounts for deposits which relate solely to the Accountant General or which otherwise do not fall within the responsibility of any other Ministry or department rests with the Accountant General.</p> <p>(3) With respect to deposits other than those referred to in sub-regulation (2) of this Regulation, the prime responsibility for keeping proper accounts for such deposits lies with the Accounting Officer concerned; and in such cases, the Accountant General also has a responsibility to investigate and take any necessary action to deal with a deposit account which becomes overdrawn or which has been dormant for any considerable period of time or which has not been reconciled with the Treasury accounts.</p> <p>(4) Any deposit which has remained unclaimed for a period of five years may, with the approval of the Accountant General, be paid into the Consolidated Fund; thereafter the Accountant General may refund the deposit to any person entitled to it where he is satisfied that the claim is authentic.</p> <p>(5) Any refunds after the deposit has been transferred to the Consolidated Fund shall be paid from voted expenditure.</p> <p>Condition:</p> <p>21. The following department did not provide Treasury with reconciliations for their deposit accounts.</p> <ul style="list-style-type: none"> a. Judiciary – Magistrate Court Deposits and Civil and Domestic Payments. b. Ministry of Education – Exam Fees Deposits. c. Ministry of Environment – Planning Board Meetings and Social Development & Gender Affairs d. Ministry of Finance - Gaming Inspectorate e. Police – Police Insurance and Police Reward and Fines. <p>Cause:</p> <ul style="list-style-type: none"> 1. Noncompliance with PRMR 93. 2. Lack of management oversight. <p>Effect or potential effect:</p> <p>No assurance that the balances are correct.</p>			
Recommendation			

Responsible officers should maintain records and reconcile deposit accounts at least monthly to ensure compliance with PFMR 93.

Action Plan

Person Responsible	PS, Finance, Accountant General Accounting Officers	Estimated Date	Completion
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Management's Response:

Steps are being taken to have the finance managers/officers work with each ministry to have their deposit accounts reconciled on a regular basis.

Detailed Findings Reference:

Losses were not managed in compliance with financial regulations

Issue 1# - Losses were not managed in compliance with financial regulations.			
Rank	SIGNIFICANT DEFICIENCY	Risk	MODERATE
Criteria PFMR			
<p>14. A loss shall be considered to have occurred when the Government is deprived of the use of any public money, public property, stores or any other financial or physical asset.</p> <p>15. (1) All losses incurred by or in any Ministry or department shall be brought to the attention of the Accountant General who, as the chief accountant of the Government, shall keep a register of such losses; and the Accountant General shall soon after the end of each financial year, prepare a statement of the losses for submission to the Auditor General as part of the accounts for each financial year concerned.</p> <p>(2) A register of all losses incurred by or in any Ministry or department, showing the nature of the loss and action taken, shall be maintained by each Ministry or department.</p> <p>(3) The Accounting Officer shall report to the Permanent Secretary, Finance monthly details of any uncollectable debts due to Government who shall seek approval for write off from the Cabinet which shall be reported to the House of Assembly on a quarterly basis. Provided that the Permanent Secretary, Finance may approve write offs to the value of \$500 without seeking approval from the Cabinet although they shall be required to be reported in retrospect.</p> <p>(4) All exemptions from fees, charges and taxes due to Government shall require approval from the Cabinet before any agreement is reached or notifications issued to the parties involved.</p> <p>16. Loss of public stores and property will include damage and deterioration which cannot be attributed to fair wear and tear.</p> <p>17. Cash losses may take the form of—</p> <p>(a) losses of cash by fraud, theft, errors, omissions, uncollectable arrears of revenue, or other irregularities, including unauthorised or excess payments; and</p> <p>(b) losses of cash through fire, caused deliberately or otherwise and other natural disasters.</p> <p>(2) Store loss may take the form of—</p> <p>(a) losses of stores by fraud, theft, arson, errors, omissions, sabotage or other irregularities;</p> <p>(b) losses from fire caused deliberately or otherwise, stress of weather or accident beyond the reasonable control of any responsible person;</p> <p>(c) losses due to deterioration in store, arising from a defect in administration; and</p> <p>(d) losses due to natural causes such as evaporation.</p> <p>18. Losses of public moneys or resources through claims waived or abandoned may occur where—</p> <p>(a) a claim either for services rendered by the Government or for an actual contractual or other legal obligation of a contractor or other person to the Government is not made or pursued or is waived or abandoned by the Ministry or department concerned;</p> <p>(b) a claim such as is described in paragraph (a) of this Regulation is made but payment is not received.</p> <p>19. Losses of public moneys may also occur through nugatory payments if the payment is unavoidable and there is no benefit to the Government, such as a payment of a retainer for professional services where these services are not in fact used, a payment for accommodation rented but not used or a payment for goods wrongly ordered or accepted through irregularity or negligence other than an error of judgment.</p> <p>20. Any payment which has not been properly authorised under an Appropriation Ordinance shall be treated as a large or unusual loss and shall be referred to the Board of Enquiry established under these Regulations; and any such referral shall not affect the opinion of the Auditor General and his or her obligation to report that loss to the House of Assembly.</p>			

Condition

1. The total losses of public money and stores reported for 2013-2014 was \$14,538.
2. Types of losses reported for 2013-2014 are as follows:
 - Unpaid Christmas Advances for waged staff of \$1,731.03- Ministry of Government Support Services.
 - Loss of Dell laptop by officer during business travel valued at \$800 – Ministry of Education.
 - Various stores and equipment valued at \$4, 157 – Ministry of Health
3. Items on the Statement of Losses of Public Money and Stores were compared to the Board of Survey Listing of items that was approved to be disposed. The items for the following Ministries were not contained on the Board of Survey Disposal list.
 - Ministry of Health and Human Services
 - Attorney General's Office
 - Ministry of Education

Accounting Officers for above Ministries were requested to provide the following information on the items listed on their Statements

- The current location of the items.
- The PS, Finance approval for the disposal.
- Board of Survey Inspection reports

The response to the queries are as follows:

- Ministry of Health and Human Services
Items were on the statement totalling \$3491 were not on the Board of Survey Listing for disposal.
Items totalling \$666 were noted as pending on the Board of survey listing.
 - Attorney General's Office –
Items are still at Chamber but no request was made to the Ministry of Finance to dispose of the items.
 - Ministry of Education –
Items are currently at the department. No approval for disposal was requested, the items are not in use however. Laptop was mis-placed/stolen while PS was travelling. Item was reported stolen and a report made to American Airlines.
4. The Judiciary provided a nil return to Treasury but during June 2013 there was loss of cash totalling \$13,088 at the Magistrate's Court in Provo. The NAO review the controls at the Magistrate Court Officer in Providenciales after the loss and reported finding of that review to the Registrar (Accounting Officer of Judiciary) and the PS, Finance. Further, the Judiciary did not maintain a Loss register for 2013-2014 as required by PFMR 15(2).
 5. The following other ministries had amounts on their loss of public money and stores statements but did not maintain a Loss register as required by PFMR 15 (2).
 - Ministry of Education.
 - Royal Turks and Caicos Islands Police Force.
 6. The Accountant General's Office did not maintain a Register of Losses for 2013-2014 for all losses for TCIG as required by PFMR 15 (1).
 7. Internal control Questionnaires (ICQ) for Losses of Public Stores, Property and Cash were sent to 14 Accounting Officers. Four Accounting Officers did not complete the ICQ and they are as follows:
 - Attorney General's Chambers
 - Ministry of Government Support Services

- Ministry of Finance
 - Office of the Director of Public Prosecutions.
8. The results from the ICQ are as follows:
- Six ministries declared losses but only five ministries appear on Treasury Statements.
 - Two of the six ministries maintained Loss Registers.
 - Three Ministries did not report their losses to the PS, finance.
 - Two ministries did not report their losses to the Accountant General for inclusion in a loss register.
 - One Ministry reported cash loss.
 - Two Ministries reported losses of stores.

Cause

Noncompliance with PFMR 14 – 20.

Officer not familiar with the procedures for losses of public stores, property and cash.

Officers may not have understood the requirement of the Statement of Losses of Public Money and Stores.

Effect or potential effect

TCIG may have had to replace equipment that was mis-placed or stolen.

TCIG may have had to repay funds collected on behalf of third parties due to loss of cash.

TCIG may have suffered financial loss due to public money being stolen through theft, error or officers not implementing controls to safeguard assets.

Recommendation

Accounting Officers should ensure that they comply with PFMR 14-20 ensuring that losses are reported and approval is obtain before disposal of items of equipment. Misplace equipment should be reported to the PS, Finance and the Accountant General.

Action Plan

Person Responsible	PS, Finance Accountant General Accounting Officers	Estimated Completion Date
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Management Response

The register is being put in place and Accounting Officers are being reminded to follow the recommendations.

Detailed Findings Reference:

Related Party Disclosures

Issue 1# Related Party			
Rank	SIGNIFICANT DEFICIENCY	Risk	High
<p>Criteria</p> <p>Senior Public Officers act as agents for the public managing TCIG in the best interest of the public so they are required to subscribe to the principles of good governance. They are in a place of trust and are expected to act with integrity, honesty, responsibility and be accountable, hence developing and sustaining the reputation of the public service. Governance principle requires that management assess risk and implement controls to address conflict of interest. Conflict of interest situation arise from related parties transactions. To management the risk associated with related party transaction management needs to be aware of potential conflict of interest within the organization.</p> <p>ISA 24 Related Party Disclosure defines related parties as:</p> <p>Key Management Personnel</p> <p>Those person having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors.</p> <p>Close Family Members</p> <p>Close family includes, but not limited to children and dependents, spouse or partner, children and dependents of spouse or partner.</p> <p>Assessment need to be done on a case-by-case basis, in terms of level of influence.</p> <p>Related Party Transaction</p> <p>Related party transaction is the transfer of resources, services and obligation between related parties, whether a price is charged or not.</p> <p>IPSAS 20 related party Disclosure is drawn from IAS 24.</p> <p>Close Member of the Family of an Individual</p> <p>5. Judgment will be necessary in determining whether an individual should be identified as a close member of the family of an individual for purposes of application of this Standard. In the absence of information to the contrary, such as that a spouse or other relative is estranged from the individual, the following immediate family members and close relatives are presumed to have, or be subject to, such influence as to satisfy the definition of close members of the family of an individual:</p> <ul style="list-style-type: none"> (a) A spouse, domestic partner, dependent child, or relative living in a common household; (b) A grandparent, parent, nondependent child, grandchild, brother, or sister; and (c) The spouse or domestic partner of a child, a parent-in-law, a brother- in- law, or a sister-in-law. <p>Related Parties</p> <p>8. The governing body, together with the chief executive and senior management group, has the authority and responsibility to plan and control the activities of the entity, to manage the resources of the entity and for the overall achievement of entity objectives. Therefore, key management personnel will include the chief executive and senior management group of the reporting entity.</p> <p>9. The senior management group of an economic entity may comprise individuals from both the controlling entity and other entities that collectively make up the economic entity.</p>			

13. Related party relationships may arise when an individual is either a member of the governing body or is involved in the financial and operating decisions of the reporting entity. Related party relationships may also arise through external operating relationships between the reporting entity and the related party. Such relationships will often involve a degree of economic dependency.

Disclosure

The following are examples of situations where related party transactions may lead to disclosures by a reporting entity:

- (a) Rendering or receiving of services;
- (b) Purchases or transfers/sales of goods (finished or unfinished);
- (c) Purchases or transfers/sales of property and other assets;
- (d) Agency arrangements;
- (e) Leasing arrangements;
- (f) Transfer of research and development;
- (g) License agreements;
- (h) Finance (including loans, capital contributions, grants whether in cash or in kind, and other financial support, including cost-sharing arrangements); and
- (i) Guarantees and collaterals.

Condition

1. Review of the 107 Statements for Related Party Transactions and Code of Conduct Compliance submitted for audit revealed the following:
 - Seven persons did not read the Code of Conduct for Public Officers.
 - 17 persons declared conflict of interest.
 - 80 did not have conflict of interest.
 - There were 18 statements that were signed but did not have the employee names.
2. Comparison of the related party transactions statements and the Human Resource Directorate list of Senior Public Officers revealed that 15 out of 101 Senior Public Servants completed the Related Party Transaction and Code of Conduct Compliance Statement.

Cause

Management may not be aware of the risk associated with related party transactions.

Related parties may not have been identified.

TCIG has laws, regulations and policies but may have implemented programs to monitor whether employees are adhering to the laws, regulations, policies and procedures.

Effect or potential effect

Special relationship between related parties, create potential conflict of interest which may result in action that may benefit the parties involved as opposed to the public.

The risk of conflict of interest may not have been addressed in certain ministries and departments.

TCIG may have incurred losses due to related party transactions.

Recommendation		
Accounting Officers must ensure that controls are in place to identify and manage the risk of conflict of interest. Management should ensure that they comply with the principles and standards relating to related party transactions. Managers must be trained to identify and manage risk associated with related party transactions.		
Action Plan		
Person Responsible	PS, Finance Accounting Officers Accountant General	Estimated Completion Date
Management Response:		
Detailed Findings Reference:		

37 Various findings in the financials – LR to HR

There are various observations on the financial statements as presented on 31st July, 2014. We have submitted these to the MoF so that they can make changes where necessary.

Risk	Amount
High	6
Moderate	20
Low	11

They are as follows;

1. There were various typographical and addition errors on financial statements which were highlighted to the MoF to resolve. – LR
2. Notes 2.14.1, 2.4.2, 2.18 and 2.19 - these are included in the accounting policies section but are not accounting policies. – HR
3. Accounting policies - What criteria is required for an amount to be included in accounts payable given TCIG is operating a modified cash basis of accounting? Additional disclosures in the financial statements are encouraged to enable the user to understand what creditors are included (and why) and what are not (and why). – MR
4. Note 3 - Recurrent revenue - Why does the actual performance for 'fees, fines and permits' include 'transfers from other Government entities' of US\$3,813,850? This should be shown on a separate line. – LR
5. Note 3 Recurrent expenditure - Finance costs are currently included under non-recurrent expenditure. These should be separately shown under recurrent expenditure. – MR

6. Note 4 - TCI Bank Limited accounts - additional disclosure should be added to explain that TCI Bank has entered liquidation, the value that these balances are held at (e.g. 100%), that the recovery amount is uncertain together with the estimated impairment likely. – HR
7. Note 5.2 - Are all of these loans non-current? The maturity should be disclosed with the appropriate amount shown as current (if applicable). – MR
8. Note 8 - Prior year comparatives are required for the split between current and non-current and finance cost. – MR
9. Note 8 - The amount of undrawn borrowing facilities that may be available for future operating activities and for settling capital commitments (including any restrictions on the use of these facilities) should be disclosed (IPSAS 2.61). – HR
10. Notes 9.1.6 and 10 - Disclosures should be made highlighting any conditions imposed on the use of revenues received (in particular scholarship contributions, grants, NFF contributions, civil recoveries). If no conditions are imposed this should be stated. – LR
11. Note 9.1.6 - Due to their size greater information should be provided for other receipts of US\$9m in 2013. – MR
12. Note 10 - Greater disclosures should be provided for these revenues streams in particular – MR:
 - o NFF contribution (2014)
 - o Land sales (2014 and 2013)
 - o Civil recoveries (2014 and 2013)
 - o Grants (in particular 2013)
 - o Sale of shares (2013)
13. Note 11.1 - A more detailed breakdown should be provided on 'other allowances' due to the dollar value. – LR
14. Note 11.4 - Greater information should be provided on – MR:
 - o Subventions (including to whom (and amounts))
 - o Grants and contributions (as above)
 - o Recurrent sub programmes and projects (as above)
 - o Provision or investment milestones - needs explaining
15. Note 11.4 - The table current includes 'operating expenses', 'sundry expenses' and 'other operating expenses'. It is unclear what is classified into each category. In addition the amounts are large and further classification from these categories should be done with the category 'other' or 'sundry' used as sparingly as possible. – HR
16. Note 11.4 - Due to their size, further disclosures should be made on the 'hospital provision charges' and 'medical treatment - transfers to NHIB'. They account for 25% of the total TCIG expenditure for the year and disclosure information is scarce. – HR
17. Note 12 - Greater information should be provided on the breakdown of the capital expenditure. – MR
18. Note 14 - Prior year disclosures are required for the various funds. Currently only show the 2014 movement. – MR
19. Note 15 - Enhanced details should be considered on the basis under which monies are paid to the sinking fund. – MR

20. Note 17 & 18 - It should be made very clear that the inventory amounts (note 17) and revenue arrears amounts (note 18) are not included as an asset on the balance sheet (as per the accounting policy) but that they are disclosed to comply with the PFM. Prior year balance should be disclosed. – LR
21. Note 18 - Due to the size of the balances the summary of the recoverability analysis is very general. It is suggested that further details are given including a breakdown by the main types of arrears. – MR
22. Note 18 - It is unclear how audit fees for the Office of the Governor can be part of the revenue arrears summary. – LR
23. Note 25 - Given the significant balances and public interest consideration should be given to providing greater details. As an example fuel tax concessions are greater than the fuel tax collected. – MR
24. Disclosure should be made of all other TCIG guarantees (for example any like the NHIP guarantee, TC Invest guarantees etc.) – HR
25. Comparative balances to be included in a number of note disclosures (e.g. note 20, 21, 25 etc.). - LR
26. The comparison of actual to budget could be improved. The best practice disclosure (to comply with IPSAS 24.14) is shown in the following columns – LR:
 - Original budget (A)
 - Adjustments to budget (e.g. supplementary budgets etc.) (B)
 - Final budget (C (being A + B))
 - Actual (D)
 - Difference (D-C)
27. There should also be an explanation as to whether changes between the original budget and the final budget are due to reallocations within the budget or other factors (IPSAS 24.29). – MR
28. The draft cashflow statement needs to be reworked for the following – MR:
 - Consideration should be given to adjusting operating activities to remove finance income and finance expenses and instead, including them under financing activities. While not required under IPSAS (IPSAS 2.42) this classification likely better reflects the substance of these cashflows
 - The sale of shares in 2013 should be included under investment activities not operating activities
 - Consideration should be given as to whether the sale of land should be included under investment activities as opposed to operating activities
 - Consideration should be given as to whether capital purchases and sales should be included under investment activities as opposed to operating activities
 - Consideration should be given as to whether transfers from other Government entities are really operating activities
 - Consideration should be given as to whether contributions from the NFF and civil recoveries are really operating activities
 - Depending on their nature consideration should be given as to whether grants received and / or subventions and / or grants expensed are operating activities

- Consideration should be given as to whether SIPT and civil recovery expenses are operating activities

29. The PFM requires a cashflow statement to be prepared at a combined level (Schedule 2, 1(a)) and for the consolidated fund only (Schedule 2, 1(c)). At present there is only a cashflow statement at the consolidated level. – LR

30. If there were any cash balances held by TCI Invest transferred in 2012/2013, these should be shown separately in the Cash Flow statement in 2013. – LR

31. Cash Flow - The prior year adjustment has not been accounted for correctly as it has been included as part of the decrease in accounts receivable. This accounting should be amended. – MR

32. Accounting policies should be added for the following – HR:

Revenue:

- Overtime costs recovered
- Rental income
- Land sales
- NFF contributions
- Civil recoveries
- Grants

Expenditure:

- General expenditure (timing of recognition etc.)
- Subventions
- Grants and Contributions
- Recurrent sub projects and programmes
- Transfer to NHIB
- Provision on investment milestones
- Salaries and benefits

Other:

- Financial instruments policy
- Budget information (IPSAS 24)
- Related parties (IPSAS 20)
- Provisions (IPSAS 19)
- Impairment
- Leases (IPSAS 13):
 - As lessor
 - As lessee

Intangible assets (IPSAS 31)

Significant judgments and uncertainties (IPSAS 1.137)

33. Service concession arrangements including specific treatment of PPPs (Hospitals) (IPSAS 32). – HR

34. IPSAS 20.34 requires disclosure of key management personnel including the number of individuals (determined on a full-time equivalent basis) included within this category. Disclosures should include separately amounts paid to key management personnel and amounts paid to close members of their family. Benefits (both direct and indirect) should also be included. Where the cost of benefits is not determinable a best estimate of the cost to TCIG should be made (refer IPSAS 25) – HR
35. There are currently disclosures on the remuneration of House of Assembly members. Compliance with IPSAS 20 and 25 should be examined. – HR
36. Serious consideration should also be given as to what other individuals are ‘key management personnel’ and require disclosure. Examples included the Governor, Deputy Governor, CFO, CEO, Permanent Secretaries etc. TCIG should make separate disclosures of the major classes of key management personnel they have (IPSAS 20.36). This should include the various benefits received. – HR
37. There are various disclosure requirements in schedule 2 of the PFM which appear to have been omitted as follows – HR:
 - Section 1(m) requires a list of all advances which are overdue and the trust, or office, responsible.
 - Section 1(h) requires both the cost and current value of the investments should be disclosed.
 - Section 1(f) requires a statement of the amounts guaranteed by the Government at the end of the financial year in respect of bank overdrafts, loans, public loan issues and contingent liabilities other than outstanding commitment detailed.
 - Section 1(i) requires a statement of the losses of public moneys and stores written off and claims abandoned during the financial year and the authority for such write off or abandonment and 1(j) a statement of losses of public moneys and stores reported during the year whether written off or not.

Non-disclosure of other significant Related Party Transactions – HR

There were several related party transactions which are important to identify and disclose as they carry increased risk. The related party definition is wide and includes a large number of persons such as UK personnel, House of Assembly, Permanent Secretaries etc. It also covers close family members and it is particularly important, albeit difficult, given the size of TCI. Currently there exist insufficient disclosures and inadequate controls to manage and monitor related party transactions. While there have been efforts to manage and disclose these RPTs, it is inadequate.

For example there are several

There were several transactions in NIB's books that were not reflected in TCIG's books (not disclosed but verification is needed to ensure that it is accounted for) during the 2013 period as well as transactions for the 2014 period. Some examples are as follows;

1. On November 5, 2012 NIB and TCIG signed an Omnibus Agreement (the Omnibus Agreement) to settle all outstanding issues. Without admission of liability, NIB and TCIG agreed to make certain payments to one another in settlement of various disputes between the two parties, and to take certain other actions. Such payments and actions pursuant to the Omnibus Agreement included the following:
 - NIB agreed to sell, and TCIG agreed to purchase, the property commonly known as the Honourable N.J.S. Francis Building, including furniture and fixtures together with all the land comprised in parcel 10305/37 Central, Grand Turk, TCI, for an amount of US\$6.285 M, US\$5.9 M of which was allocated to the building and US\$385,000 to furniture and fixtures.
 - Subject to the procedures set out in the Crown Land Ordinance 2012, TCIG agreed to grant NIB a licence to occupy the property known as the Honourable Headley Durham Building, and to use the fixtures and fittings therein together with all the land comprised in parcels 10404/161 & 187, East Suburbs, Grand Turk, TCI, for a period of 50 days for US\$22,192. TCIG further agreed to grant NIB a lease for a term of 999 years at a total cost of US\$1,327,808. The total agreed lease payment of US\$1,327,808 was allocated US\$1,257,808 to the building and US\$70,000 to the leased land.
 - NIB agreed to pay TCIG an amount of US\$3.15 M in respect of interest accrued on the US\$6.15 M paid to TCIG by NIB for medical treatment costs relating to employment injuries for the period from April 6, 1992 to March 31, 2010.
 - TCIG agreed to pay NIB US\$900,410 in respect of interest accrued pursuant to its lease of the N.J.S. Francis Building. Pursuant to the Omnibus Agreement TCIG agreed to pay US\$2,685,410 to NIB on November 30, 2012, the settlement date, on a consolidated basis to settle all matters referred to in the Omnibus Agreement including those illustrated above.

Description	2014*	2013
Payment of Contributions to NIB	3,374,326	3,073,711
Not clear - Contributions – private sector	2,173,106	2,015,033
TCIG payment of contributions on behalf of civil servants	1,201,220	1,021,301
Rental payments to NIB	128,000	496,240
Receipts from Treasury bonds held	150,000	150,000

with NIB		
Interest payments	67,498	496,240
Purchase of the Hon. NJS Building		5,900,000
Receipt of interest on unpaid employment injury benefits in prior years from NIB		(3,150,000)
Purchase for acquisition of Hon. Headley Durham Building		(1,257,808)
Interest paid on unpaid rent in prior years		900,410
Payment for purchase of furniture and fixtures from NIB		385,000
Receipts for lease of crown land		(70,000)
Treasury bonds – at par	1,050,000	1,200,000
Interest payable	11,461	11,461

*Subject to finalization

2. NHIB

- A receivable of \$1.764M due from TCIG,
- Government Grants of \$18.5M from TCIG,
- Contributions towards clinical costs as directed by TCIG of \$24.8M,
- Accounts payable \$2.264M

3. Financial Services Commission

	2013-14	2012-13
Opening balances due to TCIG	2,699,413	2,481,858
Amounts due to TCIG during the year	3,421,289	1,952,207

Amounts paid to TCIG	(2,384,965)	(1,734,652)
during the year		
Closing balance due to TCIG	3,735,737	2,699,413

4. TCI Airport Authority

During 2012-13, \$2,000,000 was paid from TCIAA to TCIG. The budgeted transfer agreed between the Authority and TCIG for the current year was \$6,000,000. However, as a result of the Authority taking over the management and operations of the airport fire services from TCIG in the current year, TCIG agreed that \$4,000,000 of the agreed transfer of \$6,000,000 was to be retained by the Authority and used for the benefit of the cost of managing the fire services.

During 2013-14 no funds were paid from the TCIAA to TCIG.

5. Related Parties within the Public Service

A review of 107 Statements for Related Parties and Code of Conduct Compliance submitted for audit revealed the following:

- 7 persons did not read the Code of Conduct for Public Officers.
- 17 persons declared conflict of interest.
- 80 did not have conflict of interest.
- There were 18 statements signed but did not have the employee names.

Comparison of the related party transactions statements and the Human Resource Directorate list of Senior Public Officers revealed that 15 out of 101 Senior Public Servants completed the Related Party Transaction and Code of Conduct Compliance Statement.

Greater transparency and accountability is needed in the area of related parties.

Inadequate systems to record and manage related party transactions – HR

Related party relationships exist throughout the public sector because Government departments and agencies frequently conduct activities necessary for the achievement of different components of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence; and Ministers or other elected or appointed members of the government and senior management group can exert significant influence over the operations of a department or agency.

Disclosure of certain related party relationships and related party transactions and the relationship underlying those transactions is necessary for accountability purposes, and enables users to better understand the financial statements of the reporting entity because related party relationships can

influence the way in which an entity operates with other entities in achieving its individual objectives. Related party relationships might expose an entity to risks, or provide opportunities that would not have existed in the absence of the relationship. Related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on different terms and conditions than those that would normally be available to unrelated parties.

Related party means parties are considered to be related if one party has the ability to control the other party, or can exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

In order for a reader of financial statements to form a view about the effects of related party relationships on a reporting entity, irrespective of whether there have been transactions between the related parties, all related party relationships where control exists should be disclosed. It is not so much the material amounts but more so the nature of the transaction(s).

For transactions between related parties, it is recommended that the nature of the related party relationships, types of transactions that have occurred and the elements of the transactions necessary to clarify the significance of these transactions to the entity's operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

Note: transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are excluded from the scope of these requirements.

Disclosures need to be expanded such as related party transactions (IPSAS 20), in-kind external assistance (IPSAS - Cash Basis of Accounting), disclosures of loans at preferential rates and other concessionary loans etc. This also assists with ensuring persons are in compliance with the Code of Conduct Chapter 3 Section 23, Conflicts of Interest and other relevant sections.

In relation to the 2013/14 Public Accounts submitted on 31st July, 2014, sufficient information has not been disclosed in relation to RPTs within TCIG's Public Accounts. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

While a Code of Conduct and Related Party Transaction form template was recommended by the NAO and the MoF did undertake to have this form of disclosures made, several other areas need to be improved and disclosed within the Public Accounts.

A lack of controls over the determination and award of concessions in addition to not measuring the relative benefits (quantitative and qualitative) coupled with a lack of controls over related party transactions is a high risk which needs to be managed properly. This must be balanced with the critical need for investment in the TCI.

Elements of Significant Influence should be monitored – HR

Governments and individual public sector entities are expected to use resources efficiently, effectively, and in the manner intended, and to deal with public monies with the highest levels of integrity. The existence of related party relationships means that one party can control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may advantage one party inappropriately at the expense of another.

Disclosure of certain types of related party transactions that occur, and the terms and conditions on which they were conducted, allows users to assess the impact of those transactions on the financial position and performance of an entity, and its ability to deliver agreed services. This disclosure also ensures that the entity is transparent about its dealings with related parties.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but not control those policies. Significant influence may be exercised in several ways, usually by representation on the board of directors or equivalent governing body but also by, for example, participation in (a) the policy making process, (b) material transactions between entities within an economic entity, (c) interchange of managerial personnel, or (d) dependence on technical information.

Where an entity is subject to the oversight of an elected or appointed representative of the governing body of the government to which the entity belongs, that person is included in key management personnel, if the oversight function includes the authority and responsibility for planning, directing, and controlling the activities of the entity. In many jurisdictions, key advisors of that person may not possess sufficient authority, legal or otherwise, to satisfy the definition of key management personnel. In other jurisdictions, key advisors of that person may be deemed to be key management personnel because they have a special working relationship with an individual who has control over an entity. They therefore have access to privileged information, and may also be able to exercise control or significant influence over an entity.

Considered judgment is required in assessing whether an individual is a key advisor, and whether that advisor satisfies the definition of key management personnel, or is a related party.

Related parties include:

- (a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by, the reporting entity;

- (b) Associates (see IPSAS 7, “Investments in Associates”);
- (c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- (d) Key management personnel, and close members of the family of key management personnel; and
- (e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

TCIG’s financial statements do not currently include sufficient disclosures on related party transactions and balances, including those with key management personnel and their close family members.

Disclosure needed in relation to close members of the family of key management personnel - HR

IPSAS 20, Related party disclosures, requires disclosures on transactions and balances with key management personnel and their close family members. Judgment is necessary in determining whether an individual should be identified as a close member of the family of an individual for purposes of application of IPSAS 20. In the absence of information to the contrary, such as that a spouse or other relative is estranged from the individual, the following immediate family members and close relatives are presumed to have, or be subject to, such influence as to satisfy the definition of close members of the family of an individual:

- (a) A spouse, domestic partner, dependent child, or relative living in a common household;
 - (b) A grandparent, parent, nondependent child, grandchild, brother, or sister;
- and
- (a) The spouse or domestic partner of a child, a parent-in-law, a brother-in-law, or a sister-in-law.

The Code of Conduct also makes mention of family relationships;

“When considering what constitutes a private or personal interest, consideration should also be placed on those interests held by family members, including spouses, partners (member of a couple who live together), parent, parent-in-law, son, daughter, step-son, step-daughter, child of a partner, brother, sister, grandparent, grandchild, uncle, aunt, nephew, niece, of a spouse or partner of any of the preceding people, and friends, as well as those arising through membership in, or associations with, clubs, societies and other organisations including trade unions and other voluntary bodies.”

At the whole-of-government level key management personnel would be the governing body which may consist of elected or appointed representatives (for example, Governor, ministers, permanent secretaries, members of the House of Assembly, Cabinet etc.

The information about related party transactions that would need to be disclosed to meet the objectives of general purpose financial reporting would normally include the nature of the relationship, a description of the related party transactions, broad terms and conditions and amounts. TCIG's financial statements do not currently include sufficient disclosures on related party transactions and balances, including those with key management personnel and their close family members.

Conflict of Interest review required – HR

An officer must declare in writing and have the written approval of the Permanent Secretary in order to hold any other employment or conduct any other business activity outside of the Public Service. Approval may be given when the employment or business activity does not bring or be seen to bring the officer or Public Service into disrepute, conflict with his or her official duties or responsibilities or place him or her, or give the appearance of placing him or her, in a position to use employment or business activities for personal advantage.

Where an officer has approval to engage in private work, the facilities, equipment, time and services of the Public Service will not be used in connection with private work without the express permission of the Permanent Secretary.

Officers must declare any private pecuniary interests that they hold which may conflict or be seen to conflict with their duties, immediately that the potential conflict arises. Interests held by close family members that may conflict must also be declared. The officer may be asked to discontinue the activities or to divest him or herself of the interests, or the officer may be transferred to other duties if appropriate and available.

Persons in public office should scrupulously avoid any danger of an actual or apparent conflict of interest between their professional duties and their private interests. In order to avoid such a danger, they should be guided by the general principle that they should either dispose of any financial interest giving rise to the actual or apparent conflict or take alternative steps to prevent such conflict.

Balance Sheet & Notes to the Fin. Stats. Agreed Upon Procedures

Treasury Management

Issue # 1 - Treasury management			
Rank	SIGNIFICANT DEFICIENCY	Risk	High
<p>Criteria</p> <p>The PFMO, section 13(4(c)), states the Minister of Finance shall <i>“ensure the efficient and cost effective management of the cash resources of the Consolidated Fund, any other fund established under this Ordinance and other public moneys”</i>.</p> <p>The PFMO section 40(1) further states that:</p> <p><i>“The Minister may, on such terms and conditions as the Minister may determine and, where necessary, with the approval of the lender -</i></p> <p style="padding-left: 40px;"><i>(a) repay any loan prior to the redemption date of that loan;</i></p> <p style="padding-left: 40px;"><i>(b) convert the loan into any other loan; or</i></p> <p style="padding-left: 40px;"><i>(c) consolidate two or more loans into an existing or new loan”</i></p> <p><i>Provided that, the repayment, conversion or consolidation is of financial benefit to the Government and does not increase the Government’s overall indebtedness.”</i></p> <p>Condition</p> <p>At March 31, 2014 the TCI Government (TCIG) reported cash and cash equivalents of US\$70.9 million (2013 - US\$51.7 million).</p> <p>For those accounts where confirmations were received the interest rates at March 31, 2014 ranged from 0.0% to 0.4%.</p> <p>Total finance income reported for the year ended March 31, 2014 was US\$1.4 million (2013 - US\$0.8 million).</p> <p>At March 31, 2014 TCIG reported total borrowings of US\$208 million (2013 - US\$215 million plus a bank overdraft of US\$0.5 million).</p> <p>For those loans where confirmations were received the interest rates at March 31, 2014 ranged from 2.5% to 8.75%.</p> <p>The principal borrowing is represented by the HSBC Bonds of US\$170 million (2013 - US\$170 million) which incurred interest at an effective rate of 3.2%.</p> <p>Other borrowings include:</p> <ul style="list-style-type: none"> - Caribbean Development Bank - US\$10 million (2013 - US\$11 million). Interest rates at March 31, 2014 ranged from 2.5% to 4.1% (excluding commitment fees). 			

- Citibank - US\$3 million (2013 - US\$4 million). Interest rate at March 31, 2014 was 8.75%.
- RBC Royal Bank - US\$4.5 million (2013 - US\$8 million). Interest rates at March 31, 2014 ranged from 3.18% to 7.98%.
- TCI Bank Limited - US\$7.7 million (2013 - \$8.7 million). Interest rates at March 31, 2014 ranged from 7.5% to 8%.
- Turks and Caicos Islands National Insurance Board - US\$2.3 million (2013 - US\$2.7 million). Interest rates at March 31, 2014 ranged from 4.75% to 6%.
- European Investment Bank - US\$1.3 million (2013 - US\$1 million). Interest rates at March 31, 2014 ranged from 2% to 6%.
- Scotiabank (Turks and Caicos) Ltd. - US\$9 million (2013 - US\$9 million). Effective interest based on interest expense during the year ended March 31, 2014 of 0.94%.

Total finance costs reported for the year ended March 31, 2014 was US\$7.4 million (2013 - \$7.5 million).

The total expenditure by TCIG for the year ended March 31, 2014 was US\$182.8 million (2013 - US\$183.9 million).

Cash and cash equivalents at March 31, 2014 therefore represent approximately 4.65 months of average TCIG expenditure (2013 - 3.37 months) excluding the impact of any new revenue received.

The treasury function is being managed on a standalone basis with no consideration seemingly being given to the overall financial position of TCIG, including its statutory bodies. Various statutory bodies have external debt financing at higher rates than the savings rates being achieved by TCIG. As the financial position of the statutory bodies is not currently presented in the Government's accounts this external debt financing is not shown.

Cause

Based on standard expenditure patterns, cash resources being held by TCIG are at levels substantially in excess of those required to maintain a suitable level of liquidity.

The HSBC Bonds were entered into for a long period seemingly without the ability for early repayment resulting in interest continuing to be paid on amounts that could have been settled at an earlier date had provisions for early redemption been made. If early payment was possible this would significantly reduce TCIG's finance costs. Other loans are being retained despite TCIG having the financial ability to settle the debts. As loan agreements were not made available in the time requested it is not known whether early redemption is possible.

While, subsequent to the year end, TCIG settled the loan from Scotiabank (Turks and Caicos) Ltd. this was the loan with the lowest interest rate. Assuming early redemption was possible, other loans on which higher interest rates accrue could have been settled in priority to reduce the interest expense.

Effect or potential effect

It is a requirement of the PFMO that cash resources are managed efficiently and cost effectively.

The PFMO also sets out the terms and conditions on which loans can be repaid, including prior to their redemption date.

Large cash resources are being held in low interest bearing accounts while interest continues to be paid on loans, including those of statutory bodies, at higher interest rates. These loans could be repaid using the excess cash resources assuming early redemption is possible.

As a simple example:

- the loan with TCI Bank Limited, with an average balance during the year of US\$8.2 million, incurred interest of US\$657,092 during the year ended March 31, 2014, at an average effective interest rate of 8%.
- the same loan balance of US\$8.2 million at Scotiabank (Turks and Caicos) Ltd., the loan with the lowest interest rate, would have incurred interest (based on an effective rate of 0.94%) of US\$84,600, a difference in interest expense of US\$572,492 for the year.
- the same funds would have earned, based on the highest savings rate of 0.4%, interest of US\$32,800 during the year ended March 31, 2014.
- there is therefore a substantial difference of US\$624,292 between the interest paid on the TCI Bank Limited loan of US\$657,092 and the equivalent maximum interest earned on the same funds in cash and cash equivalents of US\$32,800 for the year ended March 31, 2014. Note that this is the impact for one year only.

Alternative examples could also be given in relation to the other loans.

If TCIG is not managing its treasury function effectively, both at a standalone and at a consolidated basis, there is an unnecessary expenditure of public funds.

Funds saved could be used to either increase public expenditure, increase debt repayments or reduce taxes/fees levied.

Recommendation

TCIG needs to actively manage its treasury function to ensure that the requirements of the PFMO are being met for the efficient and cost effective management of cash.

Detailed cashflow forecasting should be maintained to determine the levels of cash that need to be retained. For cash that is not required in the short term serious consideration should be given, where possible, to the repayment of borrowings commencing with those at the highest interest rates.

Whilst it is recognized that a number of these borrowings may have early settlement penalties, and that appropriate consideration will also need to be given to the future repayment / refinancing of the HSBC Bonds in 2016, there would still appear to be very considerable scope for net finance costs to be significantly reduced through the repayment of loans, in particular those with the highest interest rates such as Citibank, RBC Royal Bank and TCI Bank Limited, even taking into account any early settlement penalties.

If it is determined that only some loans can be repaid attention should be focused on those with the highest interest rates as opposed to those with the lowest interest rates.

Effective treasury management would allow TCIG to meet the requirements of the PFMO in this regard and also apply the funds saved to alternative areas and/or a reduction in taxes/fees levied etc.

In addition, TCIG should consider its total treasury position, including external financing owed by statutory bodies, when considering its adherence to the requirements of the PFMO for effective cash management.

Furthermore, for all future loans TCIG should negotiate early redemption terms.

Action Plan

Person Responsible	Minister of Finance PS Finance Chief Financial Officer Accountant General	Estimated Date	Completion
Management Response: The loan retired early is the only one that could be repaid early since the others are bonds that have a fixed maturity date, except for the TCInvest loans for which we are currently negotiating early repayments.			

Detailed Findings Reference:

Outstanding Checks not clearing on a timely basis

Issue # 2	Outstanding Checks not clearing on a timely basis		
Rank	CONTROL DEFICIENCY	RANK	HIGH
Criteria TCIG recognises expenditure when checks are processed / cash is paid.			
Condition One of the bank reconciliations at March 31, 2014 included US\$6,945,995 of outstanding checks processed in March 2014 that had not cleared the bank account by March 31, 2014. Based on the work performed US\$1,186,148 of these checks had still not cleared the bank by November 2014, 8 months later. The reconciliation also included US\$138,308 of outstanding checks processed prior to March 2014 that had also not cleared the bank at March 31, 2014. Based upon the work performed, US\$71,144 of these checks had not cleared the bank by November 2014. Included in these checks that remained uncleared by November 2014 were some very substantial amounts including, but not restricted to: <ul style="list-style-type: none"> - US\$520,691 (March 2014 check) and US\$37,944 (December 2013 check) to one Company - US\$98,000, US\$25,320 and US\$6,500 (all March 2014) to one supplier - US\$73,650 to a supplier 			
Cause The cause is not known. It is possible that the checks were cancelled and subsequently reissued however an explanation was not			

received in the required timeline.

Effect or potential effect

Based on how TCIG currently accounts for expenditure, expenses are recognised at the time checks are processed or cash is paid.

Unlike accrual accounting, this method of accounting increases the possibility that checks are processed early, or late, to ensure that a transaction is recorded in a certain time period rather than in the period to which it should relate.

Checks not banked within 6 months become stale and have to be re-issued which can further complicate matters.

Recommendation

We recommend that a register be maintained identifying when processed checks are released to suppliers.

We further recommend that, for processed checks that have not cleared the bank within 1 month of their processed date, that an explanation is sought as to the reasons and an adjustment made to the financial records if it is identified that the check was deliberately processed early.

Person Responsible	Accountant Accounting Officers	General	Estimated Completion Date
Management Response: An electronic register is already in place, which identify when checks are released to suppliers.			
Detailed Findings Reference:			

Adjustments to carrying values of deposits held with TCI Bank Limited

Issue # 3	Adjustments to carrying values of deposits held with TCI Bank Limited		
Rank	CONTROL DEFICIENCY	RANK	HIGH
Criteria Under (GAAP) IPSAS 26, ' <i>Impairment of Cash Generating Assets</i> ', TCIG is required to assess, at each reporting date, whether there are indications that an asset may be impaired. Where there is an indication of impairment the recoverable amount of the asset should be determined. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the recoverable amount is less than its carrying amount the asset is reduced to its recoverable amount and the associated impairment loss is recognised immediately in the statement of financial performance. Impairment is not covered under the IPSAS ' <i>Financial Reporting Under the Cash Basis of Accounting</i> ' standard as impairment is not envisioned due to the underlying cash basis of accounting.			

Per the PFMO, Section 62, *“The Minister may, if so authorised by a resolution of the House of Assembly, and to the extent specified in the resolution, abandon and remit any claims by or on behalf of the Government, or any service to the Government and write off losses of or deficiencies in public moneys or public resources.”*

Condition

At March 31, 2014 TCIG reported on its statement of financial position the following accounts with TCI Bank Limited:

- US\$635,740
- US\$302,516
- US\$27,633 (refer additional issue raised on this account)

These amounts are the balances remaining after the first interim payment in 2012 to deposit holders of 20 cents on the dollar.

On April 9, 2010, TCI Bank Limited was placed into provisional liquidation. On October 29, 2010, TCI Bank Limited was placed into liquidation.

To date, the liquidator of TCI Bank Limited has yet to give any indication as to the final expected return. However, it is reasonable to assume that the total repayment to deposit holders will be less than the total amount deposited at the time TCI Bank Limited was placed into liquidation.

TCIG did not appear to assess whether the deposits held at TCI Bank Limited had indications of impairment, including recognising any adjustments against the carrying value of its cash deposits held.

Cause

The PFMO states that write offs must first be approved by the House of Assembly. No approval has been sought or received in relation to the balances held at TCI Bank Limited.

TCIG currently adopts a modified cash basis of accounting.

Effect or potential effect

The cash deposits held at TCI Bank Limited are carried at their full value.

It is considered extremely unlikely that TCIG will receive all of these funds.

TCIG is therefore including assets on its statement of financial position at higher amounts than are likely recoverable, thus inflating the reported position.

The statement of financial position is not accurately reported if assets are held at amounts greater than their recoverable amounts.

Recommendation

While the PFMO contains specific requirements for amounts to be written off to be approved by the House of Assembly it does not contain any similar requirements for amounts to be provided for in the financial statements.

Accounting officers must recommend, where appropriate, adjustments against the carrying value of deposits at

TCI Bank Limited. Thereafter they should actively monitor the collectability of TCIG's deposits, so as to provide TCIG with timely and accurate financial information. These adjustments should be reflected as provisions for impairment against the carrying value of the term deposits.

By providing against the carrying value only no write off has occurred, simply a provision to more accurately reflect reported financial position the estimated recoverable value of the asset.

At the appropriate time, approval should be sought from the House of Assembly for write offs. In the case of TCI Bank Limited, this would likely be at the conclusion of the liquidation process.

Person Responsible	Accountant Accounting Officers	General	Estimated Completion Date
Management Response: No provision for impairment is required under the cash basis of accounting, but the write off will submitted to the House of Assembly once the likely loss is determined.			
Detailed Findings Reference:			

Unrecorded deposit with TCI Bank Limited

Issue # 4	Unrecorded deposit with TCI Bank Limited		
Rank	CONTROL DEFICIENCY	RANK	MEDIUM
Criteria Per Schedule 2 of the PFMO, TCIG is required to prepare <i>"a balance sheet showing the assets and liabilities of the Consolidated Fund"</i> .			
Condition The opening balance of TCIG's cash deposits with TCI Bank Limited were agreed with closing balances on the General Ledger at March 31, 2013. The reported total deposits of TCIG at TCI Bank Limited at March 31, 2014 were US\$965,889. The reported total deposits of TCIG at TCI Bank Limited at March 31, 2013 were US\$938,256. TCI Bank Limited is currently in liquidation. No distributions have been made by the liquidator since 2012. As such no movements in the reported balances held by TCIG at TCI Bank Limited were expected.			
Cause The increase was due to an account, previously owned by TC Invest, with a reported balance of US\$27,633 not being recorded in TCIG's books and records at March 31, 2013. Accounts previously owned by TC Invest that are now owned by TCIG do not, in some instances, appear to have changed the name of the account holder to TCIG from TC Invest (refer issue below).			
Effect or potential effect The reported cash balance with TCI Bank Limited at March 31, 2013 was understated by US\$27,633. TCIG had ownership of a bank account that was not included in its books and records resulting in a possible loss of public funds.			
Recommendation			
A review should be performed of all assets and liabilities transferred from TC Invest to TCIG. This review should			

include the transfer of the named beneficiary of assets from TC Invest to TCIG.

It is further recommended that TCIG contact all banks in the TCI, and those outside of TCI with whom they may possibly have banking relationships, and receive a full listing of all accounts held by them on behalf of TCIG (including TC Invest). This listing should be reconciled to TCIG's books and records and any variances investigated immediately.

Person Responsible	Accountant Accounting Officers	General Estimated Completion Date
Management Response: Because TCInvest operated under the accrual basis of accounting the bank balance was already treated as impaired and transferred to accounts receivable from TCI Bank in Liquidation. The bank balance was therefore included in accounts receivable when the assets and liabilities of TCInvest were transferred to TCIG. Once the balance was identified in accounts receivable the bank balance was transferred to the appropriate account during the financial year being audited.		
Detailed Findings Reference:		

Checks not recorded on Smartstream

Issue # 5	Checks not recorded in SmartStream		
Rank	CONTROL DEFICIENCY	RANK	MEDIUM
<p>Criteria</p> <p>All checks prepared by TCIG should be processed through SmartStream.</p> <p>Condition</p> <p>One of the bank reconciliations at March 31, 2014 included US\$39,703 of outstanding checks not in SmartStream.</p> <p>The balance represented ten checks, of which two for US\$18,000 and US\$18,129 respectively, represented the majority of the amount.</p> <p>Cause</p> <p>The cause is not known.</p> <p>Effect or potential effect</p> <p>Checks not processed through SmartStream may not be subject to the same internal controls.</p>			
Recommendation			
All checks should be processed through SmartStream.			

Investigations should be undertaken as to why some checks are not being processed through SmartStream.

Where checks are identified as not being processed through SmartStream, including on a timely basis, reasons should be ascertained.

Person Responsible	Accountant Accounting Officers	General	Estimated Completion Date
Management Response: There are absolutely no checks that are not processed through Smart Stream. Items on the reconciliation with this notation reflects items processed through the bank accounts that have not been clearly identified by the Bank and therefore were not processed in Smart Stream at the end of the month.			
Detailed Findings Reference:			

Bank confirmations not received/holder of account

Issue # 6	Bank confirmations not received / holder of account		
Rank	DEFICIENCY	RANK	MEDIUM
Criteria <p>Confirmations are sent to an entity's bank(s) as a standard audit procedures to independently verify the reported bank balances.</p>			
Condition <p>Bank confirmations were not received for all accounts held by TCIG at TCI Bank Limited, Scotiabank (Turks and Caicos) Ltd. and the Crown Accounts.</p>			
Cause <p>It is not known why some banks chose not to respond to the request.</p> <p>For other banks, their confirmations only included those accounts under the name of TCIG. They did not appear to confirm those balances previously held by TC Invest that are now reported in TCIG's books and records.</p>			
Effect or potential effect <p>Reported bank balances may be wrong.</p> <p>Additional information sought in the bank confirmations, such as terms and conditions, may not be known or accurately disclosed in the financial statements.</p>			

Deposits previously held by TC Invest that are now reported as owned by TCIG appear to still have TC Invest listed as the account holder by the banks. While the possibility is considered remote there is a risk that TCIG has issues asserting its legal ownership of the accounts as they are reported in the banks records as belonging to TC Invest.

Alternative procedures were performed, however, these alternative procedures are considered inferior to the receipt of the confirmation directly from TCIG's bank(s).

Recommendation

We recommend TCIG liaise with the banks to change the name of the account holder from TC Invest to TCIG for all accounts where it has assumed ownership.

We recommend that, for the 2014/2015 audit, confirmation requests are followed up on a timely basis.

Person Responsible	Accountant Accounting Officer	General	Estimated Completion Date
Management Response: The signatories were changed on the bank accounts but the name is not yet changed because there are a number of standing orders from clients of TCInvest which would need to be changed and it was felt that some of these paying clients who cannot remove the standing order in place without our consent may use this opportunity to stop paying their mortgage. We will seek the advice of the Attorney General and discuss with the Banks an approach that would make the change possible without unnecessarily creating a bigger problem of increase delinquency.			
Detailed Findings Reference:			

Understatement of cash deposit with Crown Agents/Foreign Exchange Translation

Issue # 7	Understatement of cash deposit with Crown Agents / Foreign Exchange translation		
Rank	CONTROL DEFICIENCY	RANK	LOW
Criteria <p>Transactions in foreign currencies other than the United States (US) dollar should be recorded at the rates of exchange prevailing at the time of transactions. At the statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies should be translated at the rates prevailing at that date.</p> <p>Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the US dollar are recognized in the statement of financial performance.</p>			
Condition <p>At March 31, 2014 TCIG held a deposit of British Pounds (GBP) 24,199 with Crown Agents.</p>			

The reported US dollar equivalent per SmartStream by TCIG was US\$17,594.

The GBP to US dollar conversion rate used by the Accounting Officer was US\$0.727:GBP1 instead of US\$1.664:1GBP.

Cause

The Accounting Officer made an error in applying the forex rate at March 31, 2014.

The bank reconciliation was not properly reviewed.

A review would have quickly highlighted that GBPs had been translated into a smaller US dollar balance despite GBPs being worth more than US dollars.

Effect or potential effect

Due to the incorrect forex rate used in converting GBP to USD, TCIG's deposit with Crown Agents was understated by US\$22,682 at March 31, 2014.

If the size of balances held in foreign currencies was higher the magnitude of such misstatements may be significantly larger. This could result in TCIG's reported financial position and performance being materially misstated.

Recommendation

We recommend accounting officers accurately translate monetary assets held in foreign currencies.

These reconciliations should be subject to a proper review and approval process.

Person Responsible	Accountant Accounting Officers	General	Estimated Completion Date
Management Response: The accounts officer made an error in applying the rate, which was corrected once it was discovered internally.			
Detailed Findings Reference:			

Carrying Value/Recoverability, Monitoring and Interest charges in TOLCO Balances

Issue # 8	Carrying Value / Recoverability, Monitoring and Interest charges n TOLCO balances		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
Criteria Under IPSAS 26, ' <i>Impairment of Cash Generating Assets</i> ', TCIG is required to assess, at each reporting date, whether there are indications that an asset may be impaired. Where there is an indication of impairment the recoverable amount of the asset should be determined. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the recoverable amount is less than its carrying amount the			

asset is reduced to its recoverable amount and the associated impairment loss is recognised immediately in the statement of financial performance.

Impairment is not covered under the IPSAS '*Financial Reporting Under the Cash Basis of Accounting*' standard as impairment is not envisioned due to the underlying cash basis of accounting.

Per the PFMO, Section 62, *"The Minister may, if so authorised by a resolution of the House of Assembly, and to the extent specified in the resolution, abandon and remit any claims by or on behalf of the Government, or any service to the Government and write off losses of or deficiencies in public moneys or public resources."*

Condition

As part of the closure of TC Invest certain of its non-performing loans ('the portfolio') were sold to The Outstanding Loan Company (TOLCO), a third party.

TOLCO assumed responsibility for the costs of collecting the portfolio in return for 60% of the total amount collected.

The remaining 40% is to be paid to TCIG.

TCIG has reported, as a receivable in its statement of financial position, 40% of the gross value of the portfolio.

The receivable balance reported at March 31, 2014 was US\$2,752,422 (March 31, 2013 - US\$2,844,818).

A significant percentage of the portfolio had no collections recorded during the year ended March 31, 2014.

Part of the reason the deal for the portfolio of loans was agreed with TOLCO appears to be due to the low probability of full recovery.

Given the low probability of full recovery TCIG should not be including on its statement of financial position the amount it would receive only in the event of full recovery.

In addition:

- it is unclear what monitoring checks are being performed on the accuracy of the reporting by TOLCO
- it is unclear whether interest continues to be charged on the portfolio by TOLCO and, if so, who is entitled to the interest charged
- it is unclear whether, if securities were provided on loans included in the portfolio, whether appropriate insurance coverage is being maintained by the borrower or TOLCO to protect the value of the security

The disclosures in the financial statements, including in the prior year, were not sufficient for a reader to understand the agreement with TOLCO and its impact on TCIG's financial position and performance.

Cause

The PFMO states that write offs must first be approved by the House of Assembly. No approval has been sought or received in relation to the portfolio managed by TOLCO.

TCIG currently adopts a modified cash basis of accounting.

Effect or potential effect

The portfolio managed by TOLCO is carried at its full value.

It is considered extremely unlikely that TCIG will receive all of these funds.

TCIG is therefore including assets on its statement of financial position at higher amounts than are likely recoverable, thus inflating the reported position.

The statement of financial position is not accurately reported if assets are held at amounts greater than their recoverable amounts.

There is a potential loss of revenue for TCIG if the returns provided by TOLCO are not examined for accuracy and completeness.

There is a potential loss of revenue for TCIG if interest is still able to be charged, and collected, on some of the loans in the portfolio, and TCIG has retained a right to some, or all, of that interest.

There is a potential loss of the value of the realisable security if it is not properly insured and an event happens to reduce the value of that security (for example a fire).

Recommendation

While the PFMO contains specific requirements for amounts to be written off to be approved by the House of Assembly it does not contain any similar requirements for amounts to be provided for in the financial statements.

Accounting officers must recommend, where appropriate, adjustments against the carrying value of TCIG's agreed share of the portfolio controlled by TOLCO. Thereafter they should actively monitor the collectability, so as to provide TCIG with timely and accurate financial information. These adjustments should be reflected as provisions for impairment against the carrying value of the TOLCO receivables.

By providing against the carrying value no write off has occurred, simply a provision to more accurately reflect the estimated recoverable value of the asset in the reported statement of financial position.

At the appropriate time approval should be sought from the House of Assembly for write offs. In the case of the portfolio managed by TOLCO, this would likely be either on a loan by loan basis once final settlement has been reached or on a portfolio basis once TOLCO ceases its attempted collection of the loans.

The reporting provided by TOLCO should be reviewed for accuracy and completeness. Appropriate source documents held by TOLCO should be examined where deemed appropriate.

Enquiries should be made of TOLCO as to how it ensures appropriate insurance coverage is maintained for securities held. Corroborating evidence should be examined.

The treatment of interest charges, including the rights to that interest per the agreement with TOLCO, should be examined. Where TCIG has retained rights to some, or all, of the interest charged (if any) examinations should be performed to ensure that TCIG is receiving the amounts, if any, it is due.

Person Responsible	Accountant Accounting Officers	General	Estimated Completion Date
Management Response: An internal review of the operations of TOLCO to determine their level of compliance with the sales agreement is already being commission and a draft of the reviewed processed is being reviewed by the CFO and Ministry of Finance.			
Detailed Findings Reference:			

Recoverability of other receivables

Issue # 9 Recoverability of other receivables			
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
Criteria			
Under IPSAS 26, 'Impairment of Cash Generating Assets', TCIG is required to assess, at each reporting date, whether there are indications that an asset may be impaired. Where there is an indication of impairment the recoverable amount of the asset should be determined. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the recoverable amount is less than its carrying amount the asset is reduced to its recoverable amount and the associated impairment loss is recognised immediately in the statement of financial performance.			
Impairment is not covered under the IPSAS 'Financial Reporting Under the Cash Basis of Accounting' standard as impairment is not envisioned due to the underlying cash basis of accounting.			
Per the PFMO, Section 62, "The Minister may, if so authorised by a resolution of the House of Assembly, and to the extent specified in the resolution, abandon and remit any claims by or on behalf of the Government, or any service to the Government and write off losses of or deficiencies in public moneys or public resources."			
Condition			
At March 31, 2014 and 2013 TCIG had the following long-term receivables that it assumed responsibility for when TC Invest was closed:			
	2014	2013	
	US\$	US\$	
Loans receivable - general	8,973,303	9,733,368	
Loans receivable - insurance	325,933	109,124	
	9,299,236	9,842,492	
In accordance with best practice, borrowers are bound by the original loan contract to make payments in the amount specified on the contract including interest until the loan is paid in full. Lenders are required to explore all possible avenues for the collection of amounts outstanding, including the seizing of security assigned to them in the contractual agreement.			
<u>Loans receivable – general – US\$8,973,303</u>			
This loan portfolio is now being managed by the Accountant General's Department.			
These loans are primarily consumer and mortgage loans which are fully secured by real assets.			
It is our understanding that TCIG maintains an insurance policy for each borrower for the properties used as collateral with TCIG being the primary beneficiary on both policies.			
Due to limited information provided to us we have not been able to obtain sufficient appropriate audit evidence to determine whether adjustments might have been necessary in respect with loans receivable amounting to US\$8,973,303.			
It is not known whether interest continues to be charged on the loan portfolio.			
<u>Loans receivable – Insurance – US\$325,933</u>			
Per an examination of subsequent collections on loans receivable - insurance from April 2014 to November 2014 approximately 62%, or US\$203,352, of the outstanding balances at March 31, 2014 had no collections during these periods. In addition, of those that did have collections, a number were only partial payments.			

Based on information provided, annual insurance premiums for the whole portfolio are approximately US\$65,000. If this information is reliable then the total balance due at March 31, 2014 represents approximately 5 years of premiums. This would indicate that collectability of all the amounts due is highly unlikely.

Given that the insurance receivable represents the same borrowers as the loan portfolio, it would be reasonable to assume that full collectability of the loan portfolio is questionable.

It is important to note, however, that where security is held, consideration should be given to the realisable value of that security when assessing any recoverability.

Other receivables and advances (excluding staff and travel advances) - US\$188,750

At March 31, 2014 TCIG had US\$188,750 (2013 - US\$305,582) of other receivables and advances (excluding staff advances and travel advances).

Based on information provided some of the reported balances in this account received no, or very small, payments on the balance due in the 8 months subsequent to March 31, 2014.

	At March 31, 2014	Reported receipts to November 2014
	US\$	US\$
Advances - Established Staff	55,930	(800)
Ministers and PS Retreat	25,127	(1,053)
Other Receivables (TC Invest)	16,011	-
	97,068	(1,853)

The limited collection of these amounts in the 8 months subsequent to the year raises concern that the balances may not be recoverable or that collections have not been accurately recorded in the books and records.

Cause

The loan portfolio does not appear to have been reviewed for indicators of impairment.

It is unclear whether loans due are being actively pursued for repayment, including the enforcement of securities held.

Certain advance accounts do not appear to have been monitored for repayment and / or the repayments or actual costs incurred have not been recorded correctly in the books and records.

The PFMO states that write offs must first be approved by the House of Assembly. No approval has been sought or received in relation to the portfolio managed by TOLCO.

TCIG currently adopts a modified cash basis of accounting.

Effect or potential effect

The loan portfolio, including associated insurance premiums due, inherited from TC Invest is carried at its full value.

In any loan portfolio it is unlikely that all loans will be repaid in full.

TCIG is therefore including assets on its statement of financial position at higher amounts than are likely recoverable, thus inflating the reported position.

The statement of financial position is not accurately reported if assets are held at amounts greater than their

recoverable amounts.

There is a potential loss of revenue for TCIG if interest is still able to be charged, and collected, on some of the loans in the portfolio, and TCIG has a right to that interest.

There is a potential loss of the value of the realisable security if it is not properly insured and an event happens to reduce the value of that security (for example a fire).

There is a potential loss of resources if TCIG does not collect advances provided.

There is a potential weaknesses in internal controls if advances are being collected, or evidence provided that expenditure has been incurred, and this is not being appropriately accounted for.

Recommendation

While the PFMO contains specific requirements for amounts to be written off to be approved by the House of Assembly it does not contain any similar requirements for amounts to be provided for in the financial statements.

Accounting officers must recommend, where appropriate, adjustments against the carrying value of the loan portfolio. Thereafter they should actively monitor the collectability, so as to provide TCIG with timely and accurate financial information. These adjustments should be reflected as provisions for impairment against the carrying value of the receivables.

By providing against the carrying value no write off has occurred, simply a provision to more accurately reflect the estimated recoverable value of the asset in the reported statement of financial position.

At the appropriate time, approval should be sought from the House of Assembly for write offs. In the case of the loan portfolio, this would likely be either on a loan by loan basis once final settlement has been reached or on a portfolio basis once TCIG ceases its attempted collection of the loans.

The treatment of interest charges should be examined. Where TCIG has retained rights to the interest charged (if any) examinations should be performed to ensure that TCIG is accurately recording the interest revenue.

Where loans are in default, TCIG should examine the enforcement of security.

TCIG should examine the outstanding advances. TCIG should determine the reasons that some advance balances remain largely unchanged in the 8 months subsequent to March 31, 2014. Appropriate adjustments to internal controls should be made if weaknesses in the system for recording advances are identified.

If write offs of advances are required these should be taken to the House of Assembly in accordance with the PFMO.

Person Responsible	Accountant Accounting Officers	General	Estimated Completion Date
Management Response: No provisions required under cash basis of accounting however a request for write off will be made to the House of Assembly once it is determined that the loans or advance is uncollectable.			
Detailed Findings Reference:			

Loans and advances recommended for write off

Issue # 10	Loans and advances recommended for write off		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
<p>Criteria</p> <p>Under IPSAS 26, <i>'Impairment of Cash Generating Assets'</i>, TCIG is required to assess, at each reporting date, whether there are indications that an asset may be impaired. Where there is an indication of impairment the recoverable amount of the asset should be determined. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the recoverable amount is less than its carrying amount the asset is reduced to its recoverable amount and the associated impairment loss is recognised immediately in the statement of financial performance.</p> <p>Impairment is not covered under the IPSAS <i>'Financial Reporting Under the Cash Basis of Accounting'</i> standard as impairment is not envisioned due to the underlying cash basis of accounting.</p> <p>Per the PFMO, Section 62, <i>"The Minister may, if so authorised by a resolution of the House of Assembly, and to the extent specified in the resolution, abandon and remit any claims by or on behalf of the Government, or any service to the Government and write off losses of or deficiencies in public moneys or public resources."</i></p> <p>Condition</p> <p>Included as a receivable on the statement of financial position at March 31, 2014 is US\$2,573,918 described as <i>'loans and advances recommended for write off'</i>.</p> <p>No supporting detail was provided for this balance.</p> <p>Based solely on the description of the balance it appears that this asset has limited, or no, chance of recovery.</p> <p>Cause</p> <p>As the write off of the receivable has yet to be approved by the House of Assembly it has continued to be reported as an asset of TCIG on the statement of financial position.</p> <p>Effect or potential effect</p> <p>We are unable to determine whether adjustments might have been necessary in respect of the receivable due to the lack of sufficient appropriate audit evidence.</p> <p>However, based on the description of the account, the reported balance would appear to be in excess of its recoverable amount.</p> <p>Reporting assets at higher than their recoverable amount misstates the reported financial position of TCIG.</p>			
<p>Recommendation</p> <p>A detail of the balances making up this account should be obtained.</p> <p>An assessment should be made as to whether the amounts are recoverable.</p> <p>Where amounts are not deemed to be recoverable, approval from the House of Assembly should be sought to write off the amounts due.</p> <p>Pending the approval of the House of Assembly for the write off, the receivable should be provided for impairment to reflect its estimated recoverable amount.</p>			

Person Responsible	Accountant Accounting Officers	General Estimated Completion Date
Management Response: An assessment was made 2 years ago and it was determined that these amounts are not recoverable, therefore it was presented to the house for write off.		
Detailed Findings Reference:		

Staff Advances

Issue # 11	Staff Advances		
Rank	DEFICIENCY	RANK	MEDIUM
Criteria			
Under IPSAS 26, ‘ <i>Impairment of Cash Generating Assets</i> ’, TCIG is required to assess, at each reporting date, whether there are indications that an asset may be impaired. Where there is an indication of impairment the recoverable amount of the asset should be determined. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. Where the recoverable amount is less than its carrying amount the asset is reduced to its recoverable amount and the associated impairment loss is recognised immediately in the statement of financial performance.			
Impairment is not covered under the IPSAS ‘ <i>Financial Reporting Under the Cash Basis of Accounting</i> ’ standard as impairment is not envisioned due to the underlying cash basis of accounting.			
TCIG policy requires that staff loans and advances should be repaid in a maximum of 3 monthly instalments.			
Condition			
<u>Staff loans and advances – US\$66,606</u>			
At March 31, 2014 staff loans and advances composed of the following:			
		2014	Number of employees
Staff loans and advances – Positive balances		75,858	45
Staff loans and advances – Negative balances		(9,252)	12
		66,606	57
TCIG’s policy on staff loans and advances states that they should be repaid in a maximum of 3 monthly instalments. Per an examination of subsequent collections of staff loans and advances from April 2014 to November 2014, 38 out of 45 loans and advances with outstanding balances at March 31, 2014 of US\$67,551 had no repayment.			
Negative balances of US\$9,252 at March 31, 2014 remained unadjusted at November 30, 2014. It is not known why any staff member would have a credit balance.			
Sufficient appropriate audit evidence has not been provided in relation to subsequent collections on staff advances.			

Travel advances – US\$43,023

We have not been able to obtain sufficient appropriate audit evidence to determine whether adjustments might have been necessary with respect to travel advances.

Cause

The cause is not known.

It is possible that write offs were not recognised during the year due to TCIG's policy that losses arising from impairment and other write offs must be approved first by the TCI House of Assembly.

It is possible that advances are not being repaid and / or that advances that are being repaid are not being accounted for correctly.

Effect or potential effect

Staff loans and advances and travel advances may be reported at more than their recoverable amount.

There is a loss of TCIG resources if loans and advances made are not recovered in full.

Staff loans are not being collected in accordance with TCIG's policy of a maximum of 3 monthly instalments.

Recommendation

We recommend that accounting officers recommend provisions for impairment where the full amount is not considered likely to be collected.

Accounting officers should subsequently actively monitor these advances, including their collectability, so as to provide TCIG with timely and accurate financial information.

As there were numerous loans and advances due for over three months we recommend that accounting officers perform a detailed review of loans and advances, resolve items in dispute, if any, and pursue collection wherever possible.

The Accountant General should recommend for write off all items for which collection is not deemed possible rather than maintain these balances in the books and records.

Accounting officers should investigate why there are credit balances on the staff loans and advances account. There would not appear to be any normal explanation for staff to have credit balances which indicates that there may be weaknesses in controls over this account.

Person Responsible	Accountant Accounting Officer	General	Estimated Completion Date
Management Response: There is an ongoing reconciliation of the account that will result in some adjusting entries during the current financial year.			
Detailed Findings Reference:			

Stamp Duty Receivables

Issue # 12 Stamp duty receivables			
Rank	CONTROL DEFICIENCY	RANK	MEDIUM
Criteria Per Schedule 2 of the PFMO, TCIG is required to prepare <i>“a balance sheet showing the assets and liabilities of the Consolidated Fund”</i> . Condition In 2010 TCIG provided the opportunity to pay stamp duty in 4 equal instalments. The instalment payment option was removed in 2013 via amendment to the Stamp Duty Ordinance. While requests for information as to how many took up the instalment option were not made, it would be likely that some persons would do so. The number may have been limited however, due to the severity of penalties for those who were late (ranging from 50% to 400% depending on the timing). On the assumption that some did take up the instalment option it would be expected that TCIG would have recorded the instalments still due as an asset as the underlying transaction giving rise to the liability by the purchaser, being the asset purchase, had already occurred thus giving TCIG the right to receive stamp duty. From a review of the statement of financial position no receivables have been recorded for stamp duty still payable by instalments at March 31, 2014. Cause Cash accounting by TCIG. Effect or potential effect As stamp duty payable by instalments is not recorded as an asset by TCIG there is an increased risk that amounts due are not collected on a timely basis, if at all, and / or penalties established under the Ordinance are not enforced. In addition, any stamp duty payable by instalments that is written off may potentially not go before the House of Assembly as the asset was not recorded in the accounting books and records as a receivable.			
Recommendation TCIG has modified the cash basis of accounting for certain other receivables, such as staff loans and advances. It is recommended that the cash basis of accounting is modified to include other similar receivables, such as stamp duty payable by instalments that is still outstanding. The benefit of recording amounts due as an asset is to decrease the risk that amounts may not be collected and to ensure that any amounts written off are approved by the House of Assembly as required by the PFMO.			
Person Responsible	PS Accountant General	Finance	Estimated Completion Date
Management Response: The other receivables in TCIG books resulted from cash transactions that included TCIG making a cash advance. To include the stamp duty payable by instalment would require that we also record the unpaid stamp duty as revenue, which we cannot do under the cash basis of accounting.			
Detailed Findings Reference:			

Existence, Accuracy and Classification of Investments

Issue # 13	Existence, Accuracy and Classification of Investments		
Rank	DEFICIENCY	RANK	MEDIUM
Criteria			
Under IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> , “Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market”.			
Condition			
TCIG’s investments at March 31, 2014 and 2013 consisted of the following:			
		2014	2013
Paid Up Shares of the Caribbean Development Bank (CDB)		705,714	705,714
RBTT Bond Repurchase		3,680,164	6,509,653
		4,385,878	7,215,367
<u>Paid Up Shares of the CDB – US\$705,714</u>			
These are 117 shares allocated to TCIG as a member country and paid up at March 31, 2014. These have a par value of US\$705,714.			
Per the audited financial statements of CDB it appears to have significant retained earnings and equity. The shares would therefore not appear to be impaired.			
In addition there are 416 callable shares allocated to TCIG as at March 31, 2014. These have a par value of US\$2,509,204.			
Per the published financial statements of the CDB shares are callable under specific circumstances.			
<u>Royal Bank of Trinidad and Tobago (RBTT) Bond Repurchase – US\$3,680,164</u>			
This balance relates to the amount outstanding on TCIG Bonds originally issued in 2011 for approximately US\$9 million.			
From April 1, 2013 to March 31, 2014 TCIG received US\$2,960,883 in bond principal repayments.			
A detailed composition of the bond balance at March 31, 2014 and repayments received during the year was not provided.			
Cause			
Sufficient appropriate audit evidence has not been provided on time by the Accountant General in relation to the following:			
<ul style="list-style-type: none"> - Copy of bond repurchase agreement - Supporting documents for the US\$2,960,883 repayments - Confirmation of RBTT bond 			
It is possible, depending on the nature of the bonds, that they have been incorrectly classified as investments in the statement of financial position.			
Effect or potential effect			
We cannot determine whether adjustments might have been necessary in respect of TCIG’s bond investments due to the lack of sufficient appropriate audit evidence.			

The classification of RBTT Bonds as investments in the financial statements may not be appropriate. If these debt instruments are not quoted in an active market, these should have been classified as loans and receivables instead of investment account.

Lack of information provided by the Accountant General can result in a delay of the audit and an un-favourable report for the Ministry.

The callable shares require a possible future committed payment by TCIG. While it may be that these shares are not called the potential future outflow of funds should be disclosed to the users of the financial statements.

Recommendation

TCIG should examine its accounting policy on the presentation of its investments in bonds if compliance with IPSAS 29.

Information requested for audit must be provided on time to prevent a scope limitation.

TCIG's obligations under the terms of the callable shares should be disclosed in the notes to the financial statements.

Person Responsible	Accountant General	Estimated Completion Date
Management Response: Agreed, TCIG's obligations under the terms of the callable shares will be disclosed in the notes to the financial statements.		
Detailed Findings Reference:		

Pension Liabilities

Issue # 14	Pension liabilities		
Rank	DEFICIENCY	Risk	HIGH
Criteria <p>The PFMO Section 13 (3) states that <i>'The Minister shall ensure that all contingent liabilities of the Government, including pension and healthcare liabilities, are subjected to independent actuarial assessment at least every two years, and shall report the information provided by any such assessment to the House of Assembly within two months of receiving it'</i>.</p> <p>The TCIG Public Financial Management Framework states that TCIG <i>"will make contingent and actual liabilities, including (but not limited to) pensions and healthcare schemes, subject to actuarial assessments at least every two years. Actuarial assessments will be published within three months of receipt. The Government will publish its proposals to address the results of the assessments no later than the budget following the receipt of the actuarial assessment."</i></p> <p>Per Schedule 2 of the PFMO, TCIG is required to prepare <i>"a balance sheet showing the assets and liabilities of the Consolidated Fund"</i>.</p> <p>IPSAS 25, <i>'Employee Benefits'</i>, may be applicable depending on the nature of the scheme.</p>			

Condition

To the best of our knowledge no actuarial review of TCIG's pension and healthcare liabilities has been performed in the last two years.

Pensions and gratuities paid in the year ended March 31, 2014 were US\$4.929m (2013: US\$5.525m). Pensions represented just under US\$4m in each of these years.

Cause

TCIG is responsible for various long term liabilities to its current and former employees. The present value of these have not been actuarially assessed in the last two years.

Effect or potential effect

While the future pension liabilities of TCIG were reduced with the introduction of the National Insurance Board in 1991, there is a high probability that the actuarial present value of its obligations still remains a very significant amount based on the current pension expense of just under US\$4m per annum.

Without an actuarial review it is not possible to quantify this liability.

At present there is no quantification of this amount in the financial statements.

Recommendation

TCIG should comply with the PFMO and obtain regular actuarial valuations.

TCIG should examine the nature of its obligations and, based on this, whether IPSAS 25 applies and, if so, follow the accounting requirements laid out therein. If IPSAS 25 does not apply TCIG should determine which accounting standard does apply and follow that standards requirements.

TCIG should consider further modifying its cash basis of accounting to include pension liabilities on the statement of financial position.

At an absolute minimum the notes to the financial statements should include a full description of the pension obligations and the results of the last two actuarial reviews so that the users of the financial statements can understand the impact upon the financial performance and position of TCIG.

Action Plan

Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
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Management Response: An actuarial valuation is currently being undertaken by Judith Veira, FSA, Consulting Actuary of Trinity Consulting Ltd and should be completed by the first week of February, 2015.

Detailed Findings Reference:

Determination of Creditors

Issue # 15	Determination of Creditors		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
<p>Criteria</p> <p>Per Schedule 2 of the PFMO, TCIG is required to prepare <i>“a balance sheet showing the assets and liabilities of the Consolidated Fund”</i>.</p> <p>Condition</p> <p>Due to the adoption of the modified cash basis of accounting there is no clear criteria for items that are included as accounts payable, contingent liabilities or excluded in full.</p> <p>When items are included in creditors, the associated expense is included in the statement of financial performance.</p> <p>Where items are included as contingent liabilities no expense is recognised in the statement of financial position.</p> <p>Limited information was provided on balances reported as creditors and contingent liabilities.</p> <p>It was not possible to determine, therefore, how it was determined claims would be classified.</p> <p>Based on the limited information received it would appear that items included in creditors could alternatively have been included as contingent liabilities and items included as contingent liabilities could have been included, in whole or in part, as creditors.</p> <p>Cause</p> <p>The basis of accounting adopted.</p> <p>Effect or potential effect</p> <p>Based on how TCIG currently accounts for expenditure, expenses are ordinarily recognised at the time checks are processed or cash is paid.</p> <p>Unlike accrual accounting, this method of accounting increases the possibility that checks are processed early, or late, to ensure that a transaction is recorded in a certain time period rather than in the period to which it should relate.</p> <p>In addition to the above TCIG has included some amounts it claims are due as creditors. Insufficient supporting documentation was provided to determine the validity and accuracy of these amounts (refer issue below).</p> <p>By including amounts in creditors an associated expense has been recognised for the year ended March 31, 2014.</p> <p>TCIG has only included some claims as creditors. Other claims have instead been included as contingent liabilities or excluded all together.</p> <p>Due to a lack of a clear policy on what claims are reported as creditors, what claims are reported as contingent liabilities and what claims are not included as creditors there is a risk that the reported statement of financial performance and financial position is not prepared on a consistent basis.</p> <p>There was a scope limitation on the audit as sufficient appropriate supporting evidence was not provided on a timely basis.</p>			
Recommendation			

A clear policy should be established as to what criteria need to be met for a claim to be included as a creditor and what criteria need to be met for a claim to be included as a contingent liability.

Without a clear policy treatment of claims is open to interpretation.

Information requested for audit must be provided on time to prevent scope limitation.

Person Responsible	PS Finance General Officers	Accountant Accounting	Estimated Completion Date
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Management Response: We will review the policy to ensure that we avoid any misinterpretation.

Detailed Findings Reference:

Completeness and existence of accounts payable and accuracy for contingent liabilities

Issue # 16	Completeness and existence of accounts payable and accuracy of contingent liabilities		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
Criteria Sufficient appropriate audit evidence must be provided when requested.			
Condition We were not able to obtain sufficient appropriate audit evidence to confirm the validity of amounts included within accounts payable. We were not able to obtain sufficient appropriate audit evidence to confirm the accuracy of amounts included as contingent liabilities.			
Cause Sufficient appropriate audit evidence was not been provided by the Accountant General. No legal response was received from the current Attorney General of TCI in relation to TCIG's audit legal inquiry.			
Effect or potential effect We cannot determine whether adjustments might have been necessary in respect of TCIG's accounts payable due to lack of sufficient appropriate audit evidence. We cannot determine whether the contingent liabilities disclosures were accurate.			
Recommendation			
Information requested for audit must be provided on time to prevent a scope limitation.			

Person Responsible	Accountant Attorney General	General	Estimated Completion Date
Management Response: All effort is made to respond to the auditors on a timely. It must however be noted that the request for information on the accounts payable was received on January 16 th , but we were informed by the Auditor General that that no further responses would be accepted after January 15 th .			
Detailed Findings Reference:			

Auditor General: - I made the request for further explanation and documentation through KPMG because there are many issues with the accounting especially when there is not a consistency in following GAAP. Many persons have requested updates and information outside the dates set and it is unfortunate that a 1 day difference is used as an excuse when there is a significant time lag from November 30 – Jan 15 i.e. 45 days.

Existence and Accuracy of Refundable Deposits

Issue # 17	Existence and Accuracy of Refundable Deposits		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
Criteria			
Sufficient appropriate audit evidence must be provided on time to prevent a delay of the audit and an unfavourable report for the Ministry.			
Per Schedule 2 of the PFMO, TCIG is required to prepare “a balance sheet showing the assets and liabilities of the Consolidated Fund”.			
Condition			
Refundable deposits at March 31, 2014 consist of the following:			
			2014
Magistrate courts			266,323
‘A company’ (name excluded for confidentiality purposes)			193,500
Others			48,915
			508,738
<u>Magistrate courts deposits – US\$266,323</u>			
From April 1, 2013 to March 31, 2014 TCIG received US\$174,002 deposits and refunded US\$175,752. A detailed composition of Court deposits at March 31, 2014 and refunds made subsequent to March 31, 2014 have not been determined.			
<u>‘A company’ – US\$193,500</u>			
This is part of a Special Investigation Prosecution Team (SIPT) settlement with the Company. Funds are being held pending the Company’s performance as part of the agreed settlement. No funds have been disbursed subsequent to March 31, 2014.			
<u>Other deposits not recorded</u>			
No deposits have been recognised for other known liabilities. For example no liability has been recognised for repatriation deposits held on behalf of work permit holders. These are repayable to the employer upon evidencing that the employee has been repatriated. It is assumed that the repatriation deposits are included as revenue upon receipt which is not the appropriate accounting treatment as they are repayable once certain criteria have been met.			

Cause

Sufficient appropriate audit evidence has not been provided by the Accountant General in relation to detailed composition of Magistrate's Court deposits at March 31, 2014 and refunds made subsequent to March 31, 2014. The accounting adopted for other deposits paid is not in accordance with generally accepted accounting principles.

Effect or potential effect

It could not be determined whether adjustments might have been necessary in respect of TCIG's refundable deposits due to lack of sufficient appropriate audit evidence.

The impact of other unrecorded deposits taken as revenue upon receipt could not be determined.

Recommendation

Information requested for audit must be provided on time to prevent scope limitation.

The accounting policy for deposits should be examined and revised.

Person Responsible	PS Accountant Accounting Officer	Finance General	Estimated Completion Date
Management Response: The accounting policy on refundable deposits will be reviewed and based on the result of that examination the appropriate amendments made in the current financial year.			
Detailed Findings Reference:			

Loan agreements and amortization schedule have not been provided

Issue # 18	Loan agreements and amortisation schedules have not been provided		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
Criteria Sufficient appropriate audit evidence must be provided to the auditor when requested.			
Condition Loan agreements and amortisation schedules were not provided despite being requested.			
Cause A copy of the loan agreement / revisions to the original loan agreement with the following institutions was not provided despite being requested: <ul style="list-style-type: none"> - HSBC Bonds - TCI Bank Limited - RBC Royal Bank - Caribbean Development Bank - Citibank Commercial Loan - European Investment Bank 			

- Scotiabank (Turks and Caicos) Ltd.

A copy of the amortisation schedule of each loan was not provided.

Effect or potential effect

Important terms and conditions attached to each loan may not be properly disclosed in TCIG's notes to financial statements.

Recommendation

Information requested for audit must be provided on time to prevent a scope limitation.

Person Responsible	Accountant General	Estimated Completion Date
Management Response: Agreed.		
Detailed Findings Reference:		

Unrecognized Interest Payable on outstanding loans

Issue # 19	Unrecognised Interest Payable on Outstanding Loans		
Rank	DEFICIENCY	RANK	MEDIUM
<p>Criteria</p> <p>IPSAS 28, <i>'Financial Instruments: Presentation'</i>, notes that a financial liability is, amongst other criteria, a contractual obligation to deliver cash or another financial assets to another entity.</p> <p>Financial liabilities are not covered under the IPSAS <i>'Financial Reporting Under the Cash Basis of Accounting'</i> standard as financial liabilities are not envisioned due to the underlying basis of accounting.</p>			
<p>Condition</p> <p>Finance costs are recorded based on the actual interest payments to creditors on the principal amounts outstanding during that period.</p> <p>As a result interest due, but not yet paid, on loans as at March 31, 2014 was not recorded as a liability together with the associated interest expense.</p> <p>In reporting periods with significant changes in the loan balances the interest expense reported in the statement of financial position may be materially misstated.</p>			
<p>Cause</p> <p>Cash basis of accounting.</p>			
<p>Effect or potential effect</p> <p>Accounting for interest expense on a cash basis does not give TCIG an accurate picture of the total obligation of TCIG to lenders at the end of the reporting period or the associated interest expense for a particular period.</p>			
Recommendation			
We recommend TCIG modify the basis of accounting from cash to accruals for interest expense.			

At a minimum TCIG should disclose in the notes to financial statements the outstanding interest which has not been paid at the reporting date. This will enable TCIG to make decisions based on more accurate information.

Person Responsible	PS Accountant General	Finance	Estimated Completion Date
Management Response: Interest expenses accurately reflects the amount paid during the financial year under the cash basis of accounting.			
Detailed Findings Reference:			

Understatement of amount Due to European Investment Bank

Issue # 20		Understatement of amount due to European Investment Bank	
Rank	CONTROL DEFICIENCY	RANK	LOW
Criteria Accurate reporting of loan balances in the statement of financial position.			
Condition At March 31, 2014 the loan due TCIG to the European Investment Bank (EIB) per the confirmation letter was US\$998,101. The loan due to EIB reported by TCIG at March 31, 2014 was US\$973,527.			
Cause Inaccurate reconciliation of loan balance.			
Effect or potential effect Understatement of outstanding loan to EIB by US\$24,574 at March 31, 2014.			
Recommendation Accounting officers to properly review and approve loan reconciliation.			
Person Responsible		Accounting Officers	Estimated Completion Date
Management Response: The error was discovered by the responsible officer and the adjustment made after the year end.			
Detailed Findings Reference:			

Prior year adjustments

Issue # 21	Prior Year Adjustments		
Rank	SIGNIFICANT DEFICIENCY	RANK	HIGH
Criteria Adjustments to prior year reported balances should be accounted for in accordance with generally accepted accounting practice.			
Condition Included in the statement of changes in net assets is a prior year adjustment of US\$80,943. Generally accepted accounting principles have specific requirements as to how prior year adjustments should be accounted for. The reasons and details of prior year adjustments should be disclosed in the notes to the financial statements.			
Cause Incorrect accounting treatment for prior year adjustments.			
Effect or potential effect The impact of the prior year adjustment has not been reported in the statement of financial performance during any period.			
Recommendation Prior year adjustments should be accounted for in accordance with generally accepted accounting principles.			
Person Responsible	Accountant Accounting Officer	General	Estimated Completion Date
Management Response: Agreed.			
Detailed Findings Reference:			

Overall basis of accounting

Issue # 22	Overall basis of accounting		
Rank	SIGNIFICANT DEFICIENCY	Risk	HIGH
Criteria			
The PFMO section 45 states <i>“All public accounts shall be prepared in accordance with generally accepted accounting practice; identify any significant departures from generally accepted accounting practice or instructions issued by the Accountant General and state the reasons for those departures; and state the basis of accounting used in their preparation.”</i>			
The TCIG Public Financial Management Framework states that TCIG will ensure that public accounts are <i>“prepared on a timely basis in line with International Financial Reporting Standards and International Public Sector Accounting Standards”</i> .			
Condition			
The July 31, 2014 draft of the TCIG Public Accounts presented for review stated that <i>“the basis of preparation of the Annual Statements of Public Accounts is largely governed by the provisions in the PFMO to comply with</i>			

generally accepted accounting standards. The Annual Statement of Public Accounts of TCIG have been prepared under the historical cost convention and on the modified case basis of accounting, taking into consideration TCIG's legal and regulatory framework in relation to public finances..... The Annual Statement of Public Accounts are not fully compliant with International Public Sector Accounting Standards (IPSASs) but they comply with those standards as much as possible."

The modified cash basis of accounting is not a recognised basis of accounting.

IPSAS is currently the most relevant accounting framework for public sector reporting.

IPSAS only permits either the cash or accruals basis of accounting.

The IPSAS 'Financial Reporting under the cash basis of accounting' standard states that *"Financial statements should not be described as complying with this Standard unless they comply with all the requirements in Part 1 of this standard"* (IPSAS - Financial Reporting under the cash basis of accounting 1.1.4).

IPSAS 1, 'Presentation of Financial Statements', states that *"Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs"*. (IPSAS 1:28)

The financial statements do not comply with the IPSAS cash basis of accounting due to a number of reasons, not least the modifications to the cash basis made by TCIG.

The financial statements do not comply with the IPSAS accruals basis of accounting as there are numerous areas where the accounting policies adopted are not in compliance with the requirements under IPSAS. Examples include, but are not limited to, inventories, property, plant and equipment, consolidation, impairment, leases. In addition there are various disclosures that fall short of the disclosure requirements of the accruals basis of accounting under IPSAS, for example, financial instruments.

The reference in the first draft financial statements to compliance with IPSAS as much as possible is therefore misleading.

A 'departure' from an accounting standard has a specific meaning in relation to financial statements. Under IPSAS a departure from a standard is considered a rare event and only in the circumstances that *"compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial statements"* (IPSAS 1:31). When a standard is departed from there is significant disclosure required including *"the financial impact of the departure on each item in the financial statements that would have been reported in complying with this standard."*

Given the above it is not considered that the accounting policies adopted meet the PFMO requirement to comply with generally accepted accounting practice.

It is not possible to comply with the TCIG Public Financial Management Framework requirements to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) due to the divergence of these standards unless two separate financial statements are prepared. However, it is clear that compliance with internationally recognized accounting standards, be it IPSAS or IFRS, is intended.

Cause

TCIG has not fully adopted a recognised accounting framework for the preparation of its financial statements.

Effect or potential effect

Given the absence of a recognised accounting framework, such as IPSAS, the accounting policies selected are open to adjustment based on the requirements of TCIG and are discretionary.

The financial statements are not comparable to other entities.

The requirements of the PFMO to have financial statements that comply with the generally accepted accounting practice are not met.

The requirements of the TCIG Public Financial Management Framework to prepare accounts in line with International Financial Reporting Standards and International Public Sector Accounting Standards are not met.

The basis of accounting excludes various assets and liabilities. This exclusion may impact effective stewardship of these assets.

Recommendation

Accurate and reliable financial information is critical to both accountability and decision making in the public sector.

IPSAS are currently the only internationally recognized accounting standards for public sector bodies although it would also be possible to adopt IFRS to align the policies with those adopted by the statutory bodies.

TCIG should examine all of its accounting policies for compliance with IPSAS.

Where TCIG identifies accounting policies that are not in compliance with IPSAS a decision should be made as to whether TCIG intends to amend its accounting policies to ensure compliance and, if so, in what time period this change will be achieved, or whether the accounting policy will not change, in which case consideration will be given by the Auditor General as to whether the audit report will be modified in this regard.

Action Plan

Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
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Management Response: The policy is being reviewed by TCIG.

Detailed Findings Reference:

Inclusion of other Government Bodies

Issue # 23	Inclusion of other Government bodies		
Rank	SIGNIFICANT DEFICIENCY	Risk	HIGH
Criteria <p>The PFMO section 44(3) states that <i>“For the purposes of Section 48(1), the provision of accounts shall be provided by the authorities referred to in that subsection and the Permanent Secretary, Finance shall....cause to be prepared for submission to the Auditor General a statement of accounts reflecting the financial operations of the Consolidated Fund and any other public fund or account for that financial year.”</i></p> <p>Section 48(1) of the PFMO, referred to in section 44(3), states that <i>“The Auditor General shall audit and report on the public accounts of the Islands, including the House of Assembly, the courts, the central and local government administrations, the institutions protecting good governance, and any public corporations or other bodies or organization established by or under any Ordinance.”</i></p> <p>IPSAS 6, ‘Consolidated and Separate Financial Statements’, states that <i>“A controlling entity...shall present consolidated financial statements in which it consolidates its controlled entities....”</i> (IPSAS 6:15). <i>“Consolidated financial statements shall be prepared using uniform accounting policies...”</i> (IPSAS 6:49).</p>			

The IPSAS *‘Financial Reporting under the cash basis of accounting’* standard states that *“a controlling entity...should issue consolidated financial statements which consolidates all controlled entities...”* (1.6.5). It explains that *“users of the financial statements of a government or other public sector controlling entity are usually concerned with, and need to be informed about, the cash resources controlled by the economic entity as a whole. This need is served by consolidated financial statements which present financial information about the economic entity as a single entity without regard for the legal boundaries of the separate legal entities.”* (1.6.9)

The TCIG Public Financial Management Framework states that TCIG will establish and maintain robust processes to *“report total public sector debt, profile debt repayments and determine debt service costs.”*

Condition

The PFMO in Section 44(3) is not clear in what bodies should be included in the TCIG accounts.

Section 44(3) refers in particular to section 48(1).

Section 48(1) could be interpreted to include all of the statutory bodies and other Government entities that are not currently included in the TCIG financial statements.

Irrespective of how sections 44(3) and 48(1) are interpreted the TCIG accounts currently only include the income and expenses of central Government, and certain of its assets and liabilities.

The exclusion of the revenue, expenses, assets and liabilities of the statutory bodies from the TCIG financial statements does not present a full picture of the financial position and financial performance of the Government including the statutory bodies and other Government entities.

For example the TCIG financial statements do not currently include:

- TCI Airports Authority - Revenue of US\$26.4 million (per 2013 audited financial statements)
- TCI National Health Insurance Plan - Revenue of US\$26.1 million (per 2014 audited financial statements)
- TCI Financial Services Commission - Revenue of US\$8.4 million (per 2014 audited financial statements)

The revenue for these three statutory bodies alone totals US\$60.9 million, or 29.5% of the reported revenues of \$206.8 million for TCIG for the year ended March 31, 2014.

As a further example of the impact of examining the financial statements of TCIG as a whole, i.e. including the statutory bodies, if the income and expenses of the National Health Insurance Plan (NHIP) were included in the TCIG financial statements it would result in an additional US\$26.1 million of revenue and an additional US\$18.3 million of health related expenditure, taking the total health related expenditure from the reported amount in TCIG’s financial statements of US\$45 million to US\$63.3 million.

In addition, by not including the statutory bodies, the total amount of public debt is not reflected in the Government’s statement of financial position as a number of these bodies, for example the TCI Airport Authority, hold considerable external financing obligations.

As Government is not being examined on a consolidated basis the treasury function is also not being managed on a consolidated basis resulting in large funds being held by TCIG at March 31, 2014 earning low returns despite significant loan obligations at other related entities (for example the Airport Authority) incurring higher interest charges. This results in the treasury function not operating at an optimum level to minimize net interest expense / maximize net interest income for Government as a whole and therefore the unnecessary expenditure of public funds.

Under both the IPSAS *Financial Reporting under the cash basis of accounting* and IPSAS 6 consolidation of controlled entities is required. Assuming that TCIG is assessed to meet the control criteria under these standards then their non-consolidation is therefore a departure from the requirements of IPSAS.

Cause

TCIG financial statements only currently include the financial performance and financial position of the Government and do not include the financial performance and financial position of all entities it potentially controls, either directly or indirectly.

Effect or potential effect

TCIG is potentially not in compliance with IPSAS 6 and / or IPSAS *Financial Reporting under the cash basis of accounting*.

TCIG is not presenting a complete picture of Government's total financial performance and financial position. It is therefore currently extremely difficult for an interested party to understand the full extent of Government's revenues, expenses and its financial position.

Increasingly third parties, such as credit rating agencies, lenders etc. need to understand the full Government position, including statutory bodies, to prepare their reports appropriately. In order to take into account the non-consolidation of controlled entities TCIG is having to adjust its reported financial position and financial performance by the inclusion of certain controlled entities when presenting its financial information to these third parties. This would not be required if a consolidated financial position and performance was reported.

TCIG could potentially take advantage of the non-consolidation by raising or reducing taxes/fees/charges via statutory bodies with no impact on the TCIG revenues reported as these are not currently reported in TCIG's financial statements.

In addition, TCIG could use statutory bodies to borrow additional funds without any impact on the reported financial position of TCIG as the loans are not included in any form of consolidated position or make payments on behalf of TCIG without any impact on the reported statement of financial performance.

Given the strong cash position of TCIG there is also the possibility that better treasury management may be apparent through examination of a consolidated Government position. For example, loans in one statutory body could be repaid via the large cash surpluses held by TCIG, thus reducing the net interest expense for Government as a whole.

Recommendation

TCIG should examine whether, under IPSAS 6 and/or the cash basis of accounting under IPSAS, it meets the requirements for consolidation and, if so, whether it should include in its financial statements the financial position and financial performance of the statutory bodies and other entities controlled.

If it is determined that consolidation is required TCIG should consider whether the benefits of consolidation outweigh the costs.

Due to its unique nature a legal opinion would need to be obtained as to whether the revenues, expenses, assets and liabilities of the TCI National Insurance Board should or should not be subject to consolidation.

Even if consolidation is not required under IPSAS 6, TCIG should consider the benefits of a high level consolidation (total revenue, total expenses, assets (with cash separately identified) and liabilities (with loans separately identified) as part of their standard reporting procedures.

Action Plan

Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
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Management Response: The policy on consolidation is being reviewed by TCIG, which includes legal and other

technical advice on how best to achieve this goal.

Detailed Findings Reference:

Inclusion of Public Private Partnerships (PPPs)

Issue # 24	Inclusion of Public Private Partnerships (PPPs)		
Rank	SIGNIFICANT DEFICIENCY	Risk	HIGH
Criteria			
<p>The PFMO, Section 30(13(d)), states in respect of proposed PPPs, or other alternative financing, that they will only be considered for approval, along with other criteria, once <i>“an independent opinion has been received from a qualified accountant of good standing on the correct accounting treatment in the Government’s accounts.”</i></p>			
<p>The TCIG Public Financial Management Framework states that <i>“PPPs or any other form of alternative financing will only be considered.... where an independent opinion has been received from a qualified accountant of good standing on the correct accounting treatment in the Turks and Caicos Islands Government’s accounts.”</i> It further states that <i>“all proposed capital projects with an expected lifetime value of \$5 million or more will be incorporated into the FSPS, and appraisals will be published for public consultation prior to procurement.”</i></p>			
<p>Section 69 (1) of the PFMO states that <i>“any loan raised by the Government under any Ordinance and in respect of which any liability is subsisting immediately before the commencement, shall be deemed to be a loan raised under this Ordinance notwithstanding that the amount of the loan or any obligation undertaken by the Government in respect of the loan exceeds any limitation imposed by this Ordinance or any Ordinance repealed by this Ordinance.”</i></p>			
<p>Prior to the enactment of the PFMO TCIG entered into a PPP with regard to the construction and operation of medical services in TCI.</p>			
<p>No independent opinion has been provided on the appropriate accounting for this PPP.</p>			
<p>In addition, the 2013/2014 Fiscal and Strategy Policy Statement (FSPS) states that <i>“the capitalized value of all alternative financing transactions (including PFI/PPP arrangements) that will place future financial obligations (in terms of increased expenditure or reduced revenue) on the Turks and Caicos Islands Government will be recorded by the Government as public debt”.</i></p>			
<p>The definitions appendix of the FSPS defines public borrowing as including <i>“the capitalized value of all alternative financing transactions (including PFI/PPP arrangements) that will place future obligations (in terms of increased expenditure or reduced revenue) on the Turks and Caicos Islands Government.”</i></p>			
Condition			
<p>TCIG currently has a major PPP in respect of the construction of the hospitals located in Grand Turk and Providenciales (the Hospital PPP). This contract impacts both the current financial year but also the obligations of TCIG for approximately the next 20 years.</p>			
<p>The notes to the TCIG financial statements as at, and for the year ended, March 31, 2014 include references to the PPP in the long term commitments disclosure however there has been no inclusion of the Hospital PPP in the statement of financial position.</p>			
<p>The PFMO was enacted subsequent to the approval of the Hospital PPP and hence the requirements of the PFMO did not apply. However, this requirement of the PFMO indicates that accounting for PPPs is a significant consideration when entering into any such arrangement.</p>			
<p>A request was made as to whether an independent opinion was received from a qualified accountant of good standing on the correct accounting treatment in the Government’s accounts for the Hospital PPP however no</p>			

such document was provided.

Cause

The PPP was entered into prior to the enactment of the PFMO.

No accounting opinion was therefore required at the time the PPP was first reported in TCIG's financial statements.

No opinion has subsequently been obtained as to how the PPP should be accounted for.

Effect or potential effect

TCIG may not be accounting for the PPP in accordance with generally accepted accounting practice.

Due to the significant size of the PPP there is a risk that, if the current accounting was not deemed to be accurate, very material changes would be necessary to the TCIG financial statements which, if made, may influence the users of the financial statements.

Users of TCIG's financial statements are having to separately adjust the financial statements for the impact of the PPP. This manual adjustments indicates that the financial statements are not fit for purpose for their users.

The FSPS is being adjusted to take into consideration the PPP obligations.

Recommendation

An independent accounting opinion should be obtained as to how the PPP should be accounted for under IPSAS.

TCIG should consider this opinion and the impact on TCIG's financial statements.

If at all possible TCIG should amend its accounting to agree with the accounting requirements given in the independent opinion.

There appears to be a mis-match between the accounting for the PPP in the financial statements and the required inclusion of PFI/PPP liabilities as public debt in the FSPS.

Action Plan

Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
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Management Response: Agreed

Detailed Findings Reference:

Compliance with Schedule 2 of the PFMO

Rank	SIGNIFICANT DEFICIENCY	Risk	HIGH
Criteria Section 44 of the PFMO requires the annual statement of public accounts to be prepared in accordance with paragraph 1 of Schedule 2. Schedule 2 of the PFMO lists various accounts in paragraph 1 that are required to be provided by the Accountant General. These include: Section 1(c) <i>“a cash flow statement for the Consolidated Fund showing the revenues, expenditures and financing of the fund for the year”</i> Section 1(h) <i>“a statement of investments held by the Government at the end of the year showing the original cost and current value”</i> Section 1(k) <i>“a summary statement of arrears of revenue for each revenue head....”</i>			
Condition The first draft financial statements presented by the Accountant General on July 31, 2014 did not include all of the accounts required to be provided per Schedule 2 of the PFMO.			
Cause Certain of the specific requirements of Schedule 2 of the PFMO have not been complied with.			
Effect or potential effect A failure to adhere to Schedule 2 results in non-compliance with the legal requirements laid out in the PFMO.			
Recommendation			
A review of the requirements of paragraph 1 of Schedule 2 of the PFMO is undertaken and its requirements met in the accounts presented.			
Action Plan			
Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
Management Response: We have reviewed the requirements of schedule 2 is substantial met and in many cases we provided more than is required.			
Detailed Findings Reference:			

Property, Plant, Equipment, Investment Property and Intangible Assets

Issue # 26	Property, Plant and Equipment, Investment Property and Intangible Assets		
Rank	DEFICIENCY	Risk	HIGH
Criteria IPSAS 16, <i>Investment Property</i> , IPSAS 17, <i>Property, Plant and Equipment</i> , and IPSAS 31, <i>Intangible Assets</i> , require an asset to be recognized when there are future economic benefits associated with the investment property			

that will flow to an entity.

The PFMO Schedule 2 requires '*a balance sheet showing the assets and liabilities of the Consolidated Fund.*'

Condition

TCIG does not include property, plant and equipment, investment properties or intangible assets on its balance sheet.

Based on information provided by TCI Government Support Services (GSS), 169 properties were owned by TCIG at March 31, 2014. No value was attached to these properties by GSS.

The information provided by GSS does not appear to be complete and also excludes other assets such as the causeway and other infrastructure assets. In addition it does not include the land owned by TCIG. Heritage assets are also not included, although inclusion of heritage assets is voluntary under IPSAS.

Properties appear to have been disposed of during the year including 5 beach houses.

Acquisitions during the year are expensed as incurred.

Examples of major capital projects during the year (per the TCI Gazette Volume 164, Number 31 (July 31, 2013)) include the North Caicos Deep Harbour land acquisition (US\$1.6 million), repairs to the Causeway Bridge (US\$966,000), continued work on the Middle/North Caicos Causeway Bridge (US\$1.5 million), a new block at the Helena J. Robinson (HJR) High School (US\$880,000), a new reverse osmosis plant and equipment (US\$830,000 (and US\$668,000 to complete)), Carnival infrastructure projects (US\$225,000), South Caicos Community Centre (US\$136,000), a new block at the Ona Glinton Primary School - \$2.1 million, completion and furnishing of the new block the HJR High School (US\$1.2 million) and new vehicles for the Police (US\$815,000).

Another example is the NJS Francis Building which TCIG acquired from the TCI National Insurance Board during the year ended March 31, 2013 for US\$5.9m plus US\$385k of furniture and fixtures.

Cause

TCIG has adopted the cash basis of accounting under IPSAS. TCIG has chosen to modify the cash basis of accounting for certain assets and liabilities however TCIG does not currently include fixed assets, investment property or intangible assets on its statement of financial position.

Acquisitions of fixed assets during the year are expensed as incurred as non-recurrent expenditure.

Disposals of fixed assets during the year are recognized as non-recurrent revenue. A gain is recognized for the full amount received as the asset has no carrying value.

Effect or potential effect

TCIG owns very significant long term assets.

Failure to recognize these assets on the balance sheet reduces the meaningfulness of the financial statements. In addition, it increases the risk that assets may be disposed of without being recorded or at under value. There is also the associated loss of stamp duty of sales of property at below market value that fall under the Stamp Duty Ordinance.

Also, in years of large capital expenditure (for example construction of a high school, maintenance of a causeway etc.) or disposals (for example major crown land disposals) the results reported in the statement of financial performance are distorted.

Recommendation

TCIG should finalise its register of property, plant and equipment, investment property and intangible assets,

including assignment of values, as soon as possible.

Upon completion, TCIG should disclose these amounts, as encouraged under Section 2.1.35 of the cash-basis IPSAS and then examine how soon it can achieve compliance with IPSAS 16, 17 and 31 whereby assets meeting the criteria of these standards would be included on the balance sheet.

Upon adoption of IPSAS 16, 17 and 31 future expenditure on long term assets should be included on the balance sheet as opposed to expensed as incurred and the sale of long term assets should be compared to their carrying value and the net gain/loss reported in the statement of financial performance as opposed to the full amount of the disposal.

Action Plan

Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
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Management Response: TCIG is in the process of commissioning a valuation for its PPE and is consulting on the best way to record or disclose these values in the financial statements.

Detailed Findings Reference:

Issue # 27	Treatment of shareholding in Provo Water Company Limited		
Rank	DEFICIENCY	Risk	HIGH
<p>Criteria</p> <p>IPSAS 7, <i>Investments in Associates</i>, requires the equity method to be used for all investments in associates in which an entity has significant influence.</p> <p>Under the equity method the investment is originally recorded at cost. The investment is subsequently adjusted at each financial reporting date to reflect the investor's share of post-acquisition changes in net assets of the Company.</p> <p>Condition</p> <p>Prior to its disposal in the financial year ended March 31, 2013, TCIG owned 46% of the ordinary shares of Provo Water Company Limited (PWCo.).</p> <p>TCIG accounted for its shareholding in PWCo. at cost, being US\$46 (being 46 shares at US\$1 each).</p> <p>Upon disposal of its investment in PWCo. for US\$7,500,000, TCIG recognized a gain on disposal of US\$7,499,954.</p> <p>Cause</p> <p>TCIG has adopted the cash basis of accounting under IPSAS.</p> <p>While TCIG chose to modify the cash basis of accounting for certain assets and liabilities it did not apply IPSAS 7 and, therefore, the investment in PWCo. continued to be held at its original cost until the date of disposal.</p> <p>Effect or potential effect</p> <p>TCIG owned a large shareholding in a Company in which it appeared to have significant influence.</p> <p>IPSAS 7 requires the carrying value of such investments to be adjusted to reflect the post-acquisition changes in net assets, with the associated change being recorded in the statement of financial performance.</p> <p>Failure to adjust the carrying value of the investment to reflect the post-acquisition changes resulted in TCIG not recorded its share of the gains / losses in PWCo.'s financial position and performance in the period to which they related.</p> <p>In addition, upon disposal the gain reported was higher than would have been reported if IPSAS 7 had been followed.</p> <p>Failure to correctly account for investments in associates correctly reduces the meaningfulness of the financial statements. In addition, it increases the risk that such investment may be disposed of without being recorded or at under value.</p> <p>Also, in years of large gains or losses associated with the investment or in the year of disposal the results reported in the statement of financial performance are distorted.</p>			
Recommendation			
<p>TCIG should examine whether it holds any other investments which meet the criteria of IPSAS 7.</p> <p>TCIG should adjust its accounting policies to comply with IPSAS 7 for any such investments.</p>			

Action Plan			
Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
Management Response: TCIG does not hold any other shareholdings of this nature.			
Detailed Findings Reference:			

Issue # 28	Presentation of TCIG financial statements		
Rank	SIGNIFICANT DEFICIENCY	Risk	HIGH
Criteria			
Per the PFMO Section 44, Part 1, <i>"The Accountant General shall, within the period of four months after closure of the public accounts at the end of each financial year, prepare, sign and submit to the Auditor General the annual statement of public accounts set out in paragraph 1 of the Schedule 2."</i>			
Per the PFMO Section 45 <i>"all public accounts submitted under Section 44 shall be prepared in accordance with generally accepted accounting practice; identify any significant departures from generally accepted accounting practice.....and state the reasons for those departures; and state the basis of accounting used in their preparation."</i>			
Per the PFMO Regulations Section 52 (5), <i>"The statements to be provided include but are not necessarily restricted to those contained in Schedule 2 to the Ordinance; and this is because the fundamental requirement is to ensure that the financial position of the Government is fully disclosed to the House of Assembly; and therefore the Accountant General shall provide such other accounts or provide such additional information as he or she considers necessary to achieve this objective."</i>			
The PFMO Section 48, Part 3 states <i>"Each year the Auditor General shall, as soon as practicable and in any case within four months of receiving the accounts under Section 44, submit to the Public Accounts Committee of the House of Assembly a report of the accounts audited by him or her...."</i>			
Condition			
The first draft of TCIG financial statements presented by the Accountant General to the Auditor General on July 31, 2014 contained a large number of issues. These included, but were not limited to, the following:			
<ul style="list-style-type: none"> • Typographical errors • Addition errors • Unclear accounting policies and accounting treatments • Classification errors • Incomplete and / or inadequate disclosures • Omission of accounts specifically required under Schedule 2 			
The second draft of TCIG financial statements presented by the Accountant General to the Auditor General on January 15, 2015 also contained a large number of issues. These issues were consistent with the issues identified on the July 31, 2014 draft.			
In addition, the second draft included changes to balances presented by TCIG, including those reported as comparatives. Some of these changes were very significant, including those in contingent liabilities, however the changes to the balances were not highlighted by the Accountant General to the Auditor General when providing the second draft.			
Cause			
The cause of the above is not known.			
Effect or potential effect			
It is not the responsibility of the Auditor General to identify the issues highlighted above. Rather, it is the responsibility of the Auditor General to provide an opinion on the financial statements as presented.			
In the interest of providing more meaningful financial statements the Auditor General worked with the Accountant General's office in highlighting the above issues. However, this resulted in additional time and costs for the Auditor General's office and a delay in the Auditor General submitting his report to the Public Accounts Committee beyond the 4 month requirement of the PFMO, Section 48(3).			
In addition, despite this effort the financial statements presented to the Public Accounts Committee continue to contained numerous errors and omissions.			
The disclosures in the financial statements are incomplete. As a result the users of the financial statements are not able to obtain all of the information that would be expected about the financial performance and financial			

position of TCIG.			
Recommendation			
TCIG should perform a thorough review of the financial statements before submitting them to the Auditor General.			
This review should include examination of the disclosures for compliance with generally accepted accounting practice/principles and compliance with the disclosure requirements of IPSAS.			
Action Plan			
Person Responsible	PS Finance Accounting Officers Accountant General	Estimated Date	Completion
Management Response: Every effort was made to have the financial statements reviewed before submission.			
Detailed Findings Reference:			

Prior year Audit Findings

Ministry	Period	Audit	Significant Findings
Ministry of Border Control	2007-2012	Radar Project	<p>1. Proper environmental impact assessment was not carried out As part of our audit, we noted from correspondence that the radar was placed on the wrong plot of land and that the plot used was private property. When the correct plot was examined by the engineers it was noted it was not a suitable area for the radar to be placed. From correspondence we noted that the plot was swampy, the elevation drop was ten feet, and there was no road access and no electrical facilities. No environmental impact assessment was done to ascertain whether the plot identified for radar system was suitable for the equipment.</p> <p>The land issue was subsequently resolved with a land swap between the private owner and TCIG and an agreement for road access costing the Government an estimate of \$246,231.</p> <p>2. Expenditure incurred due to project delay During our audit work, we noted that the radar equipment was purchased in 2007 and the construction of the facilities to house the equipment was started in 2010. The equipment sat in a warehouse in for over a year and because of forces of nature equipment and parts had to be replaces. The total cost incurred for storage of the equipment and replacement parts were \$352,585.81 as detailed below:</p> <ol style="list-style-type: none"> 1. Replacement equipment and parts \$313,839.62 (192,457 pounds). 2. Storage cost of \$37,769.67 for period 23rd January, 2009 to 8th March, 2011 3. Copper replacement parts \$976.51.
Across Government	April 1, 2005 to November 30, 2011	Fixed Asset Management	<p>1. Registers were not up to date and some departments did not maintain registers We noted that eleven Ministries and Departments maintained registers; seventeen did not maintain registers and two ministries and departments did not submit their registers for review. Seven of the eleven registers maintained were incomplete. We also noted that high value capital items such as the Radar System and the North Caicos Port are not reflected in any Ministry and Department's register</p> <p>2. Personal use of assets During the physical verification of the assets at an office, it was noted that a television on the listing was</p>

			<p>not present at the office. Audit Office was informed that an officer had taken the item for personal use. The officer did not have approval nor did they seek approval from a responsible officer to obtain use of the said asset.</p> <p>3. Safeguarding of Assets During the audit we noted that:</p> <ul style="list-style-type: none"> • Hurricane Shutters costing \$223,656.32 for TCIG buildings were left outside on the Central Purchasing Units (CPU) premises. Mention was made of this during the 2011/12 Board of Survey but to date the shutters remain at CPU exposed to the elements. • Items stored at the Police Station were not organized and we could not access the items to verify against the register. • Buildings such as the Mechanical Workshop had not been repaired since Hurricane Ike. The workshop gets filled with water when it rained and from our inspection we noted that sections of the building are falling apart. • Our inspection revealed that some of TCIG's buildings do not have security personnel and we noted that at least two building did not have functional security systems. • Sub Treasury South Caicos has one entrance and the door was previously busted in and was repaired using clear tape. It was also communicated to the National Audit Office that the Sub Treasury South Caicos was broken into after the Board of Survey visit in April 2012. <p>4. Related party transactions Our review of the tender documents for supply of third party insurance for TCIG fleet of vehicles revealed that the Chief Mechanical Superintendent evaluated the bid documents which included a bid by V & G Services which is owned and managed by his father-in-law and mother-in-law. Subsequently V & G was awarded the tender contract to supply third party insurance for the TCIG fleet of vehicles.</p> <p>Further review of the Tender Board documents did not reveal whether there was disclosure by the Mechanical Superintended of his relationship with the insurance company.</p> <p>Local financial regulations and the Procurement Ordinance do not directly speak to related party transactions and how they should be reported and managed but international laws and best practices require that organization put measures in place to prevent related party transactions or to manage them.</p>
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Ministry of Education	1 st April, 2007 to 31 st August, 2011	Special Scholarship Fund	<p>1. No policies and procedures As part of our audit, we reviewed the systems and controls in place for management of the fund, the following were noted:</p> <ol style="list-style-type: none"> There are no policies and procedures in place to cover the following: <ol style="list-style-type: none"> Roles and responsibilities, clearly defining who manages the development agreements and to communicate who has authority to discharge monies from the funds. Lines of communication are not defined to enable information flow between developers and other parties to the development agreement. Reporting requirement and management oversight, clearly stating what reports should be generated and who the reports should go to and how they will be used for decision making. There are no control are in place to prompt officers to initiate steps to ensure that their responsibilities for managing the fund was fulfilled. The aims and objectives of the fund are not clearly laid out. There is no standardization of procedure <p>2. Contract Monitoring</p> <p>(a) TCIG does not have a unit set up specifically to monitor performance of development agreements. Departments such as Customs, Immigration and Ministry of Education are responsible for sections of the agreement that are specific to their units. In the case of the Ministry of Education they are responsible for administering the section of the contract that deals with the contribution to the Scholarship fund. This responsibility includes ensuring that developers contribute in accordance with their development agreements. Our review of the contract monitoring systems revealed that:</p> <ol style="list-style-type: none"> The Ministry does not have adequate knowledge of their section of the agreement in order to efficiently manage the fund. The Ministry did not develop a relationship with the developers so that they have a contact person to deal with issues that arise in respect of the fund. The Ministry did not have a contingency plan detailing how to mitigate the risk of non-payment of contributions. Lack of a plan when developers default on contributions to the fund resulted in not having the funds to accomplish the aims and objectives of the fund. Because there was inadequate knowledge of the Ministry's section of the agreement there was no ` communication of expectations. The ministry does not communicate with the developers in giving a clear understanding of what is expected of them and the contribution process. There is a
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			<p>lack of clear communication in the ministry of what is expected of officers to monitor agreements.</p> <ol style="list-style-type: none"> 5. No regular reporting where reports are produced showing status of contribution to date to assist with decision-making and payment awareness. 6. There is no enforcement for lack of adhering to the agreement with reasonable consequence for defaulting on contributions. Some developers owe from as far back as 2006 when the last audit report was published. <p>TCIG did not take action when the developers default on payment and the regular arrears collection procedures were not followed.</p> <ol style="list-style-type: none"> 7. There are no close-out procedures so that when contributions are completed the developers are notified and both parties agree that the obligation is complete. <p>(b) Review of the agreements and RCU Development Agreement Contribution Master list revealed that;</p> <ol style="list-style-type: none"> 1. 115 developers were listed by RCU, out of 115 agreements 13 were submitted for audit review. 2. 18 agreements were still pending with TC Invest. Included in the 18 that were pending was Amanyara, a resort that has been operating for a few years. 3. Little or no company information could be found for 24 companies. 4. No dates were recorded on the agreements for 27 companies. <p>(c) We noted a certain agreement required the developer to pay contributions into an account called the Turks and Caicos National Scholarship fund at Bank of Nova Scotia. A request was made to Treasury to provide information concerning the account and it was noted that the account does not belong to TCIG but in fact belongs to a private citizen. Treasury was requested to further investigate the matter and communicate the results to Audit Office.</p> <p>3. Lack of management of arrears</p> <p>During our audit work, we noted that no arrears reports were maintained by the Ministry of Education for the period under review. Revenue Control Unit (RCU) created an arrears report, that report listed arrears as at 21st October, 2011. The arrears report showed arrears totaling \$8,674, 994 and because the Ministry of Education did not maintain complete and accurate records we did not have any documents to verify the total to ascertain whether it's a true and fair picture of the arrears and its recoverability:</p> <p>4. File management</p> <p>During our audit work, we noted that no files were being maintained for developers but during the 2006 audit review files were maintained.</p>
Across	1 st April,	Vendor Audit	1. Lack of vendor due diligence

Government	2008 to 31 st March, 2011		<p>As part of our audit, we tested a total of 10 ministries and departments to assess whether:</p> <ol style="list-style-type: none"> 1. There were any due diligences procedures in place. 2. Procedures for purchasing good and services between tender limits were followed. <p>The results were that:</p> <p>Tender Limit 1500 to 3000</p> <ol style="list-style-type: none"> 1. None of the ten ministries or department requested copies of business license from their vendors to ensure that they have a valid business license. 2. There is no checking to ascertain whether the vendor has proper operational facilities. 3. For caterers there is no check to ascertain whether the vendor is Public Health certified. <p>Amount falling in the tender limit</p> <p>Nine contractors' files were obtained from EMS and review, none of the files contained evidence of the following:</p> <ol style="list-style-type: none"> 1. References were checked, such as bank references, previous customers that have contracted for the same services. 2. Company information was checks via financial Service Commission. 3. Checks were done to ascertain whether the vendors had any legal or regulatory issues, including any outstanding complaints of litigation. 4. Review of vendor's financial position to ensure that they are a going concern and are able to perform the contract throughout the project life cycle. <p>2. Tender Board</p> <p>During our audit work, review of the tender board documents revealed the following:</p> <ul style="list-style-type: none"> • The Tender Board did not have a Bid List, recording bids in numerical order with names of the tender and the period of completion as required by Paragraph 1804 of the FI for period 1st April 2008 to 31st March, 2012. • The Tender Board did not maintain documents for April 2008 to March 2009 but we noted payments were made to contractors for works contract during that period.
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3. Lack of monitoring of vendor activity

During our audit work, we noted that there are 16,944 vendors in SmartStream, which include companies and TCIG employees. We reviewed all vendors and noted that 373 duplicated names.

Vendor Name	No. of ID
Vendor 1	4
26 Vendors	3
346 Vendors	2

Files were not maintained for all contractors. The table below shows the files request from EMS and those submitted for review.

Year	Files Requested	Files submitted
2008	28	0
2009	1	0
2010	13	1
2011	10	2

Review of the files submitted revealed that two contracts were not signed and another files did not have insurance policy and valid business license.

We noted three invoices within the tender limit were not tendered as required by FI Chapter 18 and Ministry of Finance Circular on Revised Tender limits dated 6th September 2000 which states that contract \$15,000 to \$75,000 must be tendered unless limited tendering has been approved by the Tender Board.

Review of invoices \$3,000 and below for compliance with the payment procedures revealed transactions that did not have purchase order as required by Ministry of Finance Circular dated 6th September 2000.

Year	Sample Size	Exception
2010	16	10
2009	6	4
2008	23	20

			<p>Review of the transactions revealed that invoices were not certified “True and Correct” by a responsible officer as required to denote that the goods supplied were reconciled with the goods ordered, invoice was recalculated for errors and the purchase was authorized.</p> <table><tr><td>Year</td><td>Sample Size</td><td>Exception</td></tr><tr><td>2010</td><td>18</td><td>17</td></tr><tr><td>2009</td><td>6</td><td>3</td></tr><tr><td>2008</td><td>24</td><td>4</td></tr></table>	Year	Sample Size	Exception	2010	18	17	2009	6	3	2008	24	4
Year	Sample Size	Exception													
2010	18	17													
2009	6	3													
2008	24	4													
Judiciary	22 nd July, 2013	Domestic Collection	<p>1. Shortage of cash totaling \$200 A cash survey was carried out at the Magistrate’s Office, Providenciales on 19th July, 2013. The total receipts were compared with the cash in hand and it was noted that there was a shortage of \$200. The Public Financial Management Regulation (PFMR) Section 14 states that all losses incurred by or in any Ministry or Department shall be brought to the attention of the Accountant General.</p> <p>2. Civil and Domestic Payments Register Review of the Civil and Domestic Register revealed the following:</p> <ol style="list-style-type: none">1. On the 14th June, 2013 a total of \$13,088 was discovered missing due to a burglary. The missing money consists of \$10, 813 for civil judgments and \$2,275 for domestic matters such as child maintenance. To date no arrangements have been made to ensure that persons owed the monies were paid.2. A portion of the missing civil funds totaling \$2,068 was collected during the period 27th February to 6th November, 2012. The rest was collected during the period 27th February to 14th June, 2013. There is no evidence that persons were contacted or that provision was made to lodge the funds into Treasury.3. Information such as receipt numbers, collection dates and persons collecting the money were not recorded in the register.4. There was no evidence that a supervisor checked the register daily to ensure that the cash and receipts balanced.5. There was no evidence in the register that surprise cash surveys were carried out by management within the year or for previous years.6. There was no record that the cash was turned over daily to a supervisor for safe keeping.7. Pages 371 and 372 were removed from the register.												

			<p>3. Physical Security</p> <p>A walkthrough was done of the building to assess whether there were security measures in place at the Magistrate’s Office and their effectiveness for safeguarding its assets revealed that:</p> <ol style="list-style-type: none">1. The Magistrate’s Office does not have any security personnel stationed at the office during the day or night.2. The office does not have a safe to secure the cash collected.3. There is no alarm system or fire precaution equipment.4. The missing cash was kept in the receipt book instead of a lock box or cash draw.																																													
Attorney General’s Chambers	2011-2012	Expenditure Audit	<p>1. Invoices not bearing evidence of having being checked for calculations where applicable.</p> <table><tr><td>Year</td><td>Sample Size</td><td>Sample Amount</td><td>Exceptions</td><td>Exceptions \$</td></tr><tr><td>2011</td><td>29</td><td>\$614,845.07</td><td>3</td><td>64,656.12</td></tr><tr><td>2012</td><td>304</td><td>\$16,598,929.81</td><td>29</td><td>\$2,636,171.15</td></tr></table> <p>2. Beneficiary approving own payment.</p> <table><tr><td>Year</td><td>Sample Size</td><td>Sample Amount</td><td>Exceptions</td><td>Exceptions \$</td></tr><tr><td>2011</td><td>29</td><td>\$614,845.07</td><td>0</td><td>0</td></tr><tr><td>2012</td><td>304</td><td>\$16,598,929.81</td><td>1</td><td>\$6,740.90</td></tr></table> <p>3. Transactions approved in SmartStream by the same person on both levels.</p> <table><tr><td>Year</td><td>Sample Size</td><td>Sample Amount</td><td>No. Double Approvals</td><td>Double Approvals \$</td></tr><tr><td>2011</td><td>29</td><td>\$614,845.07</td><td>1</td><td>\$50,540.02</td></tr><tr><td>2012</td><td>304</td><td>\$16,598,929.81</td><td>76</td><td>\$7,353,052.88</td></tr></table>	Year	Sample Size	Sample Amount	Exceptions	Exceptions \$	2011	29	\$614,845.07	3	64,656.12	2012	304	\$16,598,929.81	29	\$2,636,171.15	Year	Sample Size	Sample Amount	Exceptions	Exceptions \$	2011	29	\$614,845.07	0	0	2012	304	\$16,598,929.81	1	\$6,740.90	Year	Sample Size	Sample Amount	No. Double Approvals	Double Approvals \$	2011	29	\$614,845.07	1	\$50,540.02	2012	304	\$16,598,929.81	76	\$7,353,052.88
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Deputy Governor's Office	2011-2012	Expenditure Audit	<div>Purchase Orders were not used to request Goods/Services</div> <table><tr><th>Year</th><th>Sample \$</th><th>Sample #</th><th>Exception \$</th><th>Exception #</th></tr><tr><td>2011</td><td>580,849.55</td><td>74</td><td>400,777.08</td><td>10</td></tr><tr><td>2012</td><td>298,804.77</td><td>18</td><td>14,943.70</td><td>2</td></tr></table> <div>Payments were not certified true and correct.</div> <table><tr><th>Year</th><th>Sample \$</th><th>Sample #</th><th>Exception \$</th><th>Exception #</th></tr><tr><td>2012</td><td>298,804.77</td><td>18</td><td>52,938.49</td><td>7</td></tr></table> <div>Transaction without supporting documents</div> <table><tr><th>Year</th><th>Sample \$</th><th>Sample #</th><th>Exception \$</th><th>Exception #</th></tr><tr><td>2011</td><td>580,849.55</td><td>74</td><td>16,200</td><td>1</td></tr></table>	Year	Sample \$	Sample #	Exception \$	Exception #	2011	580,849.55	74	400,777.08	10	2012	298,804.77	18	14,943.70	2	Year	Sample \$	Sample #	Exception \$	Exception #	2012	298,804.77	18	52,938.49	7	Year	Sample \$	Sample #	Exception \$	Exception #	2011	580,849.55	74	16,200	1															
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			Transactions authorized by the same person on both levels						
			Year	Sample \$	Sample #	Exception \$	Exception #		
			2011	580,849.55	74	43,283.59	4		
			2012	298,804.77	18	59,445.13	5		
			Payments made without obtaining the requisite quotes						
			Year	Sample \$	Sample #	Exception \$	Exception #		
			2011	580,849.55	74	19,107	3		
			2012	298,804.77	18	37,061.70	5		
Ministry of Border Control and Labour	2011-2012	Expenditure Audit	Transactions resulting in Material Amounts lacked the Presence of a Purchase Order						
			Year	Sample No.	Sample \$	No. of No POs	\$ of PO		
			2011	64	10,680,272.19	9	60,612.47		
			2012	83	1,817,810.55	4	85,680.25		
			Transactions resulting in Material Amounts were approved by the same approver twice, as well as those who were deemed as inappropriate approvers.						
			Year	Sample No.	Sample \$	No. of Approved at Both levels	\$ of Approved at Both Levels		
			2011	64	10,680,272.19	8	125,542.75		
			2012	83	1,817,810.55	25	539,136.70		
			Duplicate Payment equalling \$40,691.52						
			Date	M	P	A/c	Sub A/c	Year	Description
13/12/12	16	96	41110	4403	2012	AMPUG00001 150907 Radar Equipment	13,465.00	28/12/12	2118
21/01/13	16	96	41110	4403	2012	AMPUG00001 150907 AS PER THE ATTACHED	13,465.00	31/01/13	4113
Date	M	P	A/c	Year	Description	Amount	Cheque Date	Cheque #	

			12/10/2012	16	61	38013	2012	ARLIN00002 021012 PAYMENT FOR RENT, MEALS and ELECTIC	36,556.51	18/10/12	721219
			15/11/2012	16	61	38013	2012	ARLIN00002 02102012 ACCOMMODATION, WATER, ELECT., MEALS	27,226.52	13/12/12	1519
			Invoice certifications were not duly and competently performed.								
			Year	Sample No.	Sample \$	No. of bill not certified "true and Correct"	\$ of bill not certified 'true and correct'				
			2011	64	10,680,272.19	25	416,992.19				
			2012	83	1,817,810.55	8	112,183.42				
			Excessive Utility Bill Payments at the Detention Camp								
			Year	Sample	Sample \$	No Supporting Electricity Bill #	No Supporting Electricity Bill \$				
			2011	64	10,680,272.19	13	469,429.98				
			2012	83	1,817,810.55	11	423,472.33				
Governor's Office	2011-2012	Expenditure Audit	1. Purchase Orders were not used to request Goods/Services								
			Year	Sample \$	Sample #	Exception \$	Exception #				
			2011	206,864.30	29	20,364.77	2				
			2012	813,363.59	35	-	-				
			2. Some transactions failed to have supporting attachments thus, no proof that entries were authorized , certified true and correct before payments were made \$5,000 and over								
			Year	Sample \$	Sample #	Exception \$	Exception #				
			2011	206,864.30	29	-	-				
			2012	813,363.59	35	124,518.10	17				

					-	
			\$Under \$5,000			
			Year	Sample \$	Sample #	Exception \$
			2011	206,864.30	29	17,974.37
			2012	813,363.59	35	6324.00
			3. Transactions authorized by the same person on both levels			
			Transaction \$5,000 and over			
			Year	Sample \$	Sample #	Exception \$
			2011	206,864.30	29	70,873.70
			2012	813,363.59	35	136,362.05-
			4. One duplicate payment found amounting to a material amount			
			Amounts paid to Imperial totalling \$6,324 dated 8/11/2012 and \$6,234 dated 8/11/2012.			
			a. Both transactions have a status of paid.			
			b. Both have the same invoice number, 744 or 744A.			
			c. Invoice number 744 does not have an attachment.			
			5. Payments made without obtaining the requisite quotes			
			Year	Sample \$	Sample #	Exception \$
			2011	206,864.30	29	20,364.77
			2012	813,363.59	35	
Ministry of Environment and Home Affairs	2011-2012		1. Purchase Orders were not used to request Goods/Services			
			Year	Sample \$	Sample #	Exception \$
			2011	419,956.48	24	8,886.90
			2012	2,520,969.23	139	7,653.00
			2. Transactions that were not certified true and correct.			
			Year	Sample \$	Sample #	Exception \$
			2011	419,956.48	24	8,886.90
			2012	2,520,969.23	139	11,445.00
			3. Transactions authorized by the same person on both levels			
			Year	Sample \$	Sample #	Exception \$
						Exception #

			2011	419,956.48	24	12,390.12	1
			2012	2,520,969.23	139	49,270.00	5
			4. No Contracts				
			Year	Sample \$	Sample #	Exception \$	Exception #
			2011	419,956.48	24	10,890.12	1
			2012	2,520,969.23	139	7,653.00	1
			1. Purchase Orders were not used to request Goods/Services				
			Year	Sample \$	Sample #	Exception \$	Exception #
			2012	6,473,643.19	269	282,654.52	29
			2. Transactions authorized by the same person on both levels				
Ministry of Education, Youth and Sports	2011-2012		Year	Sample \$	Sample #	Exception \$	Exception #
			2012	6,473,643.19	270	98,571.29	8
			3. No Contracts				
			Year	Sample \$	Sample #	Exception \$	Exception #
			2012	6,473,643.19	269	258,272	25

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