

St. Kitts and Nevis High Commission London

Compliance Audit Report



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EXECUTIVE SUMMARY

The National Audit Office completed an audit of the St. Kitts and Nevis High Commission in London. The overall objective of this audit was to determine whether the financial management of the St. Kitts and Nevis High Commission in London is in compliance with established laws, policies and procedures.

The results of our procedures indicated that the financial management practices of the St. Kitts and Nevis High Commission in London are not in compliance with applicable laws, policies and procedures as noted in the following findings.

The major findings listed below, as well as other findings are discussed in Part Two of this report.

What we found	Revenues collected are not being remitted to the Consolidated Fund
	Funds are being spent from revenue without the authority to do so
	The petty cash funds are not being managed properly

What we
recommend

Revenues collected should be remitted to the Consolidated Fund at least biannually

Funds from revenues should not be used unless authorized by the Ministry of Finance

Policies and procedures for the use of the petty cash fund should be developed

PART ONE

Background Information

The St. Kitts and Nevis High Commission (High Commission) in London is the diplomatic and consular representation of St. Kitts and Nevis to the United Kingdom of Great Britain. Its mission is to safeguard the interests of the Government of St. Kitts and Nevis and the welfare of its citizens in the United Kingdom.

The consular services of the High Commission include notary services, advice on acquiring citizenship, advice on visa and immigration procedures and birth and marriage certificates.

The High Commission is located at 10 Kensington Court, London, UK. The Governments of St. Kitts and Nevis and St. Vincent and the Grenadines jointly own the building which houses the offices of the High Commission. This arrangement has allowed both High Commissions to share two administrative staff members.

The High Commission in London is staffed by 7 full time employees including the 2 employees who are shared between the High Commissions of St. Kitts and Nevis and St. Vincent and the Grenadines.

The High Commission falls under the remit of the Ministry of Foreign Affairs and Aviation. The Government of St. Kitts and Nevis, through budgetary allocations to the Ministry of Foreign Affairs and Aviation, fully funds the operations of the High Commission.

Audit Mandate

The Audit Act of 1990, part 1, section 6 (1) states that:

“The Director of Audit shall make such examinations and enquiries of Public Bodies as he considers necessary to enable him to report as required by this Act.”

Section 76, part 2 (a) of the Constitution of the Federation of St. Christopher and Nevis states that:

“The Director of Audit shall:

- a) Satisfy himself that all moneys that have been appropriated by Parliament and disbursed have been applied to the purposes to which they were so appropriated and that the expenditure conforms to the authority that governs it.”

Audit Objectives

The objectives of the audit were to determine:

1. Whether internal controls are adequate to safeguard assets.
2. Whether expenditures are incurred and paid in compliance with established laws, policies and guidelines.
3. Whether revenue is received and remitted in compliance with established laws, policies and guidelines.
4. Whether the petty cash account is properly maintained.
5. Whether the High Commission properly accounts for capital assets in its custody.

Audit Scope

The audit covered the period January 2016 to June 2018.

Audit Criteria

1. All revenues should be deposited to the Consolidated Fund and in a timely manner
2. A government issued receipt should be provided for funds received from revenues.
3. Reconciliations should be done in a timely manner.
4. All payments of expenditure should be authorized.
5. Supporting documentation should exist to verify payments.
6. A Fixed Asset Register should be maintained.

Audit Methodology

In conducting the audit, the audit staff reviewed quarterly financial reports sent to the Ministry of Foreign Affairs and Aviation, reviewed employee files, confirmed the existence of the assets of the High Commission, reconciled revenue receipts with bank deposits and inspected invoices and expenditure records.

PART TWO

Findings

1. Revenues collected are not being remitted to the Consolidated Fund.

Section 17 of the Finance Administration Act, 2007 states that “All public money shall be paid into the Consolidated Fund”.

The High Commission collects monies from passport fees, attestation fees, notarization fees and other fees. These funds are deposited into two bank accounts held by the High Commission. At the time of this audit, the accumulated balances on these bank accounts totalled £68,478.28, or approximately EC\$239,670. These funds have been collected over a number of years and have not been remitted to the Consolidated Fund.

Failure to transfer these monies into the Consolidated Fund and bring them to account in the Government’s financial management system results in the understatement of the revenue of the Government of St. Kitts and Nevis during the year in which the revenue is collected.

Recommendation

We recommend that revenues collected by the High Commission be transferred to the Consolidated Fund on a biannual basis.

2. Revenues collected are not being deposited in a timely manner.

Treasury Circular No. 03/2017 from the Accountant General’s Department, which outlines the treatment of government revenue, states that all revenue should be deposited to the Ministry or Department account held at the bank on the same day of collection.

When comparing the date monies from revenues were received at the High Commission and the date these monies were deposited on the bank accounts, we noted that in 2016 and 2018 revenues

received from visa and passport fees, notary fees, assessment fees and courier fees were not deposited to the bank account on the same day or the day after receiving the funds.

The holding of cash should be discouraged and all monies collected should be banked promptly. Depositing funds on a daily basis minimizes the amount of cash held on the premises.

Recommendation

We recommend that monies received from revenues should be consistently deposited to the bank account of the High Commission in a timely manner as outlined by the Treasury Circular.

3. The High Commission collects and uses revenue fees without prior approval

Revenues must not be utilized, under any circumstance, without the prior approval of the Ministry of Foreign Affairs and Aviation and the Ministry of Finance.

The High Commission collects a separate courier fee with passport applications. These fees are deposited into one of the High Commission's revenue bank accounts. During the audit we noted that the courier fees were transferred from the revenue bank account to the operating expenditure bank account.

The High Commissioner has stated that he has written to the Ministry of Foreign Affairs and Aviation concerning the collection of these fees but has not received a response. We also found no evidence to suggest that the use of these funds were approved.

Recommendation

We recommend that the practice of transferring funds from the revenue bank accounts to a bank account used for expenditure payments cease immediately. The revenue bank accounts should be used as deposit-only accounts. Funds designated as revenue should not be used for any other purpose, unless written approval is given by the Ministry of Foreign Affairs and the Ministry of

Finance. If a need arises for extra funds to supplement operating expenditures, this should be requested from the Ministry of Foreign Affairs and Aviation.

4. The Petty cash fund is not being properly managed.

A petty cash fund should be used to provide for small amounts of cash to cover minor expenditures. It should be used in instances where it is not feasible to make payments using a cheque.

During the audit, it was observed that the petty cash fund was not being used as intended. During the period audited, the fund was used to make the following payments:

- Wages for temporary staff
- Salary increase for January 2016
- Servicing of the office vehicle
- Salary for the Secretary
- Biweekly travel allowance for an officer
- Temporary cleaner for the High Commissioner's residence
- Reimbursement expenses of £1,260 to the High Commissioner for taxis services during his driver's sick leave.

The above listed payments ranged from £167.50 to £1,260.00. Due to these high value payments, the petty cash limit was increased from £1,200 in January 2018 to £2,000 in March 2018.

While majority of petty cash payments had attached receipts, no receipts were available in cases where salaries/wages and travel allowance were paid from the petty cash. Inspection of the supporting documents for the disbursement of petty cash revealed that some petty cash vouchers were incomplete. The space to document whom the transaction was prepared by was often left empty. Also, the payment vouchers were not numbered and in instances where the High Commissioner was absent and therefore could not sign a cheque, payment was made from the petty cash fund.

The process for replenishing the petty cash and overall petty cash management is not clearly outlined. There is no procedural document that states when the petty cash should be replenished. The audit uncovered that the petty cash is replenished by a constant figure whenever the cash is considered to be low instead of by the amount of monies used from the petty cash.

We also noted that the petty cash is replenished frequently as a result of the large number and value of transactions that are being paid. The petty cash was replenished 4 times in January 2018 with £1,200 each time. For the period January to June 2018, a total amount of £16,800 was transferred into the petty cash fund. Expenditure from the petty cash for the months of January to June 2018 totalled £16,547.91 with 57 transactions.

Recommendation

We recommend that a policy be created to outline the procedures for petty cash management. A limit should be set for the amount that can be paid from the petty cash for each transaction. Major expenditures on stationery, repairs, allowances, salaries and wages, should be made using cheques or direct deposits through the banking system.

A payment voucher should be kept for each payment from petty cash. This lists the name of the individual receiving the funds, the date of the disbursement, purpose for disbursement, the amount being disbursed, the signature of the officer receiving the funds and the signature of the individual approving the funds. The vouchers should be numbered and the receipts of purchases made with petty cash funds should be attached to the payment vouchers.

5. Accounting records are not properly maintained.

a) Reconciliations were not being done before 2018.

Reconciliation ensures that the actual monies received and spent matches the monies deposited to the bank account and the cheques written from that account over a specified period, usually monthly.

As part of the audit fieldwork, the bank statements for 2016 and 2017 were reconciled with the revenue receipts on file as bank reconciliations had not been done during those two years. We found that monies received for two transactions valuing of £75.00 and £125.00 respectively were not deposited to the bank account. If reconciliations were being done at that time, the High Commission would have noticed these errors and would have been able to take corrective measures in a timely manner.

We commend the High Commission for having implemented bank reconciliations in 2018.

b) Revenue receipt books used are not government-issued receipt books.

Receipts provide the Government with the purpose and value of each transaction. Government issued receipts should be used for all transactions where monies are received. Receipts should be used in numerical order to aid in cross referencing and reconciling and they should be complete.

In conducting the audit, we found that the receipt books used by the High Commission were not government-issued receipt books. These were generic receipt books purchased by the High Commission. We noted that two receipt books were being used at the same time. We also noted that a few of receipts were not dated and were missing information such as dollar amounts. Other receipts were not readable as the information printed on the copy was not clear.

When dates and other details are not recorded or are not visible on receipts it makes it difficult to verify when the transaction occurred, who conducted the transaction and the purpose of the transaction. This would affect the High Commission's ability to reconcile and properly account for Government's revenues.

c) Payment vouchers were not supported by invoices

Payments made from the operating expenditure account should be supported by invoices which clearly detail the items purchased or services received, the date the transaction took place and the amount of the transaction.

Invoices to support credit card payments were not attached to the payment vouchers. Payments should not be made without adequate supporting documentation.

Without supporting documents, it cannot be determined if the transactions that are being paid for are legitimate, accurate or complete.

d) Lack of proper authorisation on Payment Vouchers.

Every expenditure should be authorized for payment by the High Commissioner or another senior staff before it is processed. Authorisation of payments should be separated from the process of making payments, with appropriate validation and recording at each step.

We noted payment vouchers that were not authorized to be paid but the payments were made. This highlights a breakdown in internal controls where a payment can be made without management's approval. Effective internal control over expenditures must be maintained at all stages.

Recommendation

We recommend that government-issued receipt books should be procured and used in sequential order. The management of the High Commission should ensure that all receipts are complete with respect to the information required.

The management should ensure that efficient controls are put in place so that payments are supported by invoices that justify the payments being made. Payments should also be authorized before they are processed.

6. Budgetary funds are received late and currency fluctuations are not taken into consideration.

Monies are sent by the Ministry of Foreign Affairs and Aviation on a quarterly basis, via bank transfer, to fund the salaries and operating expenses of the High Commission.

During the audit, it was noted that the funds were being received well into the first month of each quarter instead of the first week of every quarter. For example, the funds for the period January to March 2017 were received by the High Commission on January 31, 2017.

The value of the Pound Sterling to the Eastern Caribbean Dollar changes constantly. However, we found that monies are being sent to the High Commission based on a set quarterly amount in Eastern Caribbean Dollars without regard to the exchange rates.

This poses a challenge particularly where salaries are concerned as expenditure on salaries are paid in pound sterling. During the year 2017, we noted that monies received by the High Commission during quarters 1 to quarters 4 fluctuated by approximately £8,000.

Both of these issues have had some implications on the operations of the High Commission especially since salaries are paid in pound sterling and are paid on a biweekly basis. We noted that during the period 2016 to 2017, the bank account where salaries are paid from went into overdraft status 5 times as salaries had become due before funds were received from St. Kitts or the funds received were less than needed to fund salaries due to exchange rate changes.

Section 15 of the Finance Administration Act states that:

- (1) When the Financial Secretary has delegated authority to operate a government bank account to an accounting officer, the accounting officer shall ensure that the government bank account is not overdrawn.
- (2) The accounting officer shall check the balance regularly and, if a government bank account is, or is expected to be overdrawn, the accounting officer shall promptly
 - a) Report the matter to the Financial Secretary: and
 - b) Take corrective action in accordance with the directions of the Financial Secretary.

To address this situation, the High Commission has been transferring funds to and from the different bank accounts to offset its payments for salaries and operating expenditures. During the periods 2016 and 2017, there were 21 transfers between accounts ranging from £5,000 to £63,000. This has led to High Commission incurring charges for overdrafts and other bank related charges for transfers.

The High Commission is not in compliance with the Finance Administration Act, 2007 as it is not authorized to operate an overdraft account.

Recommendation

The Ministry of Foreign Affairs and Aviation should ensure that budgetary allocations for the High Commission are sent in a timely manner. The exchange rate should also be taken into consideration when sending funds for salaries to the High Commission.

7. The High Commission does not maintain a Fixed Asset Register and there is no policy outlining the process for the disposal of assets.

A Fixed Asset Register is used to keep track of assets, namely equipment and furniture of an entity. It records the date the asset was purchased, the cost of the asset, a description of the asset, unique identifiers, item code etc. The High Commissioner provided a listing of assets for both the Office of the High Commission and residence of the High Commissioner. The listing stated the name of the item and the quantity on hand.

We found 35 assets that were not recorded on the listing. The assets shown on the listing were identified however they were not labelled or uniquely coded for verification purposes.

Without a well-functioning fixed asset register, management would have a difficult task of tracking and identifying the asset and also determining information such as date of purchase, cost, specifications etc. for future reference or comparisons.

We also noted that there were 13 assets that were set aside to be disposed of. These were not on the listing provided to the audit team. These items are being stored within a room at the High Commission.

Recommendation

We recommend that a Fixed Asset Register be maintained. The register should capture the name and description of the asset, original purchase cost and date of acquisition, unique identifier number, location of the asset and authorization for disposal of assets.

We recommend that the High Commission submit a report to the Ministry of Foreign Affairs and Aviation on the condition of these assets held for disposal.

8. Payments to staff

- a) The High Commission pays its staff on a biweekly basis via direct deposit into their bank accounts. However we noted that the salaries of two locally engaged employees are being paid by cheques. The High Commissioner has stated that this issue has been brought up with both persons before. A consistent approach to the payments of salaries should be used.

- b) An employee with a two - year contract that ended on May 31, 2018 was still employed at the time of the audit in July 2018. A new contract was not present on the employee's file nor was there a letter expressing interest to renew the existing contract. The High Commissioner stated that the employee would be remaining on staff until August 31, 2018 and the contract would not be renewed.

Recommendations

We recommend that the High Commission adopt a consistent approach to the payment of salaries, wages and allowances.

We recommend that the High Commission adhere to the terms of employees' contracts.

CONCLUSION

The results of our procedures indicated that internal control measures are needed to safeguard the assets of the High Commission and ensure that revenues and expenditures are collected and spent in compliance with applicable laws, policies and guidelines.