



General Audit Chamber  
Algemene Rekenkamer



voucher

# Mini audit on Government's Christmas food voucher program

October 2024



**October, 2024**

General Audit Chamber, Juancho Yrausquin Blvd #10, unit 4 & 5

## PREFACE

This report presents a mini audit of the Government's procedures for issuing food vouchers to civil servants, initiated in December 2022 and December 2023, representing the Christmas Season. Subsequently, on January 30<sup>th</sup>, 2023, the General Audit Chamber raised concerns regarding the administrative process behind the initiative in a letter to the Minister of Finance.<sup>1</sup> The concerns and questions centered around budget availability/compliance, the tendering process, and internal checks and balances related to the voucher distribution. While recognizing the Government's goodwill, there were uncertainties about the adherence to the financial and procurement regulations. Due to these concerns, the vouchers issued to the General Audit Chamber were returned.

If this voucher program is to be continued, we recommend that the Government take the necessary actions mentioned in this report to ensure the efficient use of public funds.

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<sup>1</sup> Letter from the General Audit Chamber to the Minister of Finance, dated January 30<sup>th</sup>, 2023 (with our reference: 300123/003).

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## 1. EXPLANATION OF THE AUDIT

We explain our methodology in Chapter 1. It describes the legal basis, our objective, and the audit questions.

### 1.1 The basis

This compliance audit was conducted based on Articles 23 and 30 of the National Ordinance General Audit Chamber.

### 1.2 Audit objective

This audit's purpose is to determine whether the issuance of the December 2023 food vouchers complied with budget allocations and followed proper procurement processes for selecting the supermarket.

### 1.3 Audit scope

This mini-audit highlights the internal procedures used by the Government to regulate food voucher distribution, record-keeping, and oversight and control. Due to the scope of this mini-audit, we opted to focus on the internal processes of the Ministry of Finance. However, if the program continues, this audit aims to highlight best practices for all ministries.

### 1.4 Main audit questions

We answer the following main questions in this report regarding the 2023 issued food vouchers:

1. How were the expenditures budgeted for?
2. What was the actual total cost?
3. Was it required to follow a procurement process?
4. If yes, was a procurement process followed to select a vendor/supplier?
5. What were the internal procedures?
  - a. Regulation of voucher distribution:(how do you regulate who gets the voucher?
  - b. Record-keeping and accountability: How do you ensure that the voucher was used for the persons intended for it and was used appropriately?
  - c. Oversight and control mechanism: Who distributed the vouchers, and what checks were in place to prevent misuse?

### 1.5 Summary

In December 2023, all civil servants received a food voucher issued by the Government around Christmas. We investigated whether the Government adhered to its existing financial and procurement regulations. With this audit, we will review the procurement processes used to select the voucher supplier, examine budget availability and compliance, and investigate the internal checks and balances related to voucher distribution.

### 1.6 Reading guide

Chapter 2 presents an overview of the findings related to the budget and cost of the food vouchers, the procurement process, and internal checks and balances used in monitoring and distribution. Throughout chapter 2, best practices are highlighted, which we recommend using to promote transparency, efficiency, and accountability. Chapter 3 explains the importance of sound internal procedures followed by best practices.

## 2 FINDINGS: BUDGET, TOTAL COST, PROCUREMENT AND PROCESS

The Council of Ministers (COM) issued each civil servant an ANG 250 food voucher in December 2023. These vouchers were intended as Christmas vouchers ('Kerstpakket') and were not categorized as bonuses or gifts. It remains unclear under which category these vouchers were issued. We recognize the government's efforts in appreciating civil servants, which enhances team spirit and staff morale and contributes to a positive workplace culture.

### 2.1 Budget and total expenditures for food vouchers

The table below outlines the actual expenditures of the food vouchers per ministry, along with the budget post designated for booking these expenses and the allocated budget amount.<sup>2</sup>

**Table 1: actual expenditures per ministry for the food vouchers in December 2023**

Ministry	Budget Code	Budget description	Available amount in the budget (in ANG)	Actual expenditure (in ANG)
<b>General affairs</b>	43499.3021	Other goods and services	8,696	57,150
<b>Finance</b>	43474.4100	Representation costs	See point 2	36,000
<b>Justice</b>	43499 <sup>3</sup>	Other goods and services	165,000 <sup>4</sup>	134,325
<b>ECYS</b>	43499.6021	Other goods and services	9,520	63,225
<b>TEATT</b>	43499.8021	Other goods and services	20,000	34,875
<b>VROMI</b>	43499.9210	Other goods and services	See point 4	23,175
<b>VSA</b>	43489.7110	Projects and activities	0	31,500

We found the following on the budgeting of food voucher expenditures:

1. For the Ministry of General Affairs, the budget code refers to 'Other goods & services' for the staff bureau. An amount of ANG 8,696 was budgeted, while the actual expenditure totaled ANG 57,150. This results in an overspending of about ANG 49,000.
2. For the Ministry of Finance, the 4100-budget code is not associated with a department under finance.
3. For the Ministry of ECYS and TEATT, we noticed the budgeted amounts under 'Other goods & services' were insufficient to cover the actual expenditures for the food vouchers per Ministry. For ECYS, this is an overspending of ANG 53,705.
4. For the Ministry of VROMI, the budget code refers to 'Other goods & services'. This code is linked to sub-project codes in the budget, namely 'reconstructive maintenance burial places' and 'Waste center'. It is unclear why this code was used for food vouchers, noting the description and purpose of the budget codes do not relate to the purpose of issuing food vouchers.
5. The Ministry of VSA's budget code was 'Projects and activities', and the budgeted amount was insufficient to cover the actual expenditures for the food vouchers.

We did not verify if previous expenses had already reduced the available budget.

#### **Best practice 1:**

*Budget codes vary across different Ministries. Adopt a consistent budget code if Government decides to issue food vouchers to civil servants in the future.*

<sup>2</sup> Decision sheet COM 121223 'Purchasing of Christmas Vouchers for Civil Servants for the year 2023, Ministry of AZ';

<sup>3</sup> Justice provided 6 budget codes which relates back to each department;

<sup>4</sup> KPSM and Minister/Cabinet budget were unable to locate;

## 2.2 Procurement process

A request for quotation (RFQ) was sent to 8 vendors/ suppliers on the island on November 15, 2023.<sup>5</sup> Four vendors responded to the RFQ. The RFQ requested the following information:

1. *Unit price: the price per voucher*
2. *Total cost: The total cost for the entire quantity of vouchers*
3. *Validity period: any expiration date for the vouchers*
4. *Delivery terms: inclusion of information on the delivery timeline and other relevant terms*
5. *Payment terms: specification of the preferred payment terms*

Table 2 depicts the details of each quotation. For this audit report, keeping vendor names confidential ensures fair competition and maintains business relationships. Furthermore, the vendors are not considered auditees. The purpose is to investigate the government's procurement process.

**Table 2: Vendor information overview**

	AMOUNT	DISCOUNT	TOTAL	VALIDITY	PAYMENT TERMS	DELIVERY
<b>1</b> VENDOR	Price per unit: NAF 250 Vouchers: 1706 Amount: NAF 426,500	10%	NAF 383,850	1 year	Online Banking/ no specifics	1 week upon receipt of payment
<b>2</b> VENDOR	Price per unit: NAF 250 Vouchers: 1706 Amount: NAF 426,500	8%-10% depending on how soon payment is made	NAF 392,380 - NAF 383,850	6 months	Cash in advance (10%), payment in 7 days (9%), payment in 15 days (8%)	1 week after confirmation
<b>3</b> VENDOR	Price per unit: NAF 250 Vouchers: 1706 Amount: NAF 426,500	15%	NAF 362,525	Flexible	30 days or credit on government account	Within 72 hours
<b>4</b> VENDOR	Price per unit: NAF 250 Vouchers: 1706 Amount: NAF 426,500	10%	NAF 383,850	6 months	50% deposit upfront, 50% in 30 days	1 week

### 2.2.1 Selection process

The government received four quotes. Vendor 1 and Vendor 3 offered the most flexible payment terms<sup>6</sup> and expiration dates. Vendor 3 offered the lowest price due to the highest proposed discount. Despite this, Vendor 4 was selected. The government's decision to opt for the less economical choice was due to:

1. Vendor 4 was "the most frequently used supermarket by civil servants"<sup>7</sup>
2. The vendor's flexible payment terms.

We asked how the government determined Vendor 4 was the most frequently used supermarket for civil servants. We received an answer from the Ministry of Finance indicating that this was based on 'qualitative feedback received from past voucher initiatives'.<sup>8</sup> We requested clarification but did not receive further details.<sup>9</sup> This additional criterion was not established before the issuance of the RFQ and was introduced *during* the selection process.

#### **Best practice 2:**

*"In a procurement process, eligibility criteria are established prior to issuing a RFQ to ensure transparency and fairness in the process. Setting an evaluation criterion upfront minimizes subjectivity in the process."*

-OECD-

<sup>5</sup> Information received by the Ministry of finance dated March 6, 2024

<sup>6</sup> One vendor was flexible with the validity of the vouchers: "any day government would like to set".

<sup>7</sup> Letter from the Minister of Finance dated February 9<sup>th</sup>, 2024, with reference number: 4967.

<sup>8</sup> Idem.

<sup>9</sup> Correspondence by the Ministry of Finance dated March 6, 2024

### 3 INTERNAL PROCEDURES USED FOR THE DISTRIBUTION OF FOOD VOUCHERS

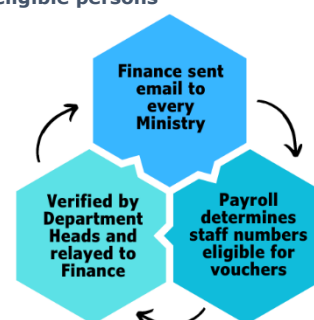
When giving out food vouchers, having a strong Administrative Organization and Internal Control (AO/IC) system means that the vouchers are given out fairly and are used for their intended purposes. A system known as AO/IC, defined by the OECD<sup>10</sup> helps government agencies manage their operations more effectively. This system includes a set of practices and procedures designed to ensure that government activities are conducted properly, money is spent wisely, and the public's trust is upheld.

#### 3.1 Eligibility and verification process

The eligibility criteria for food vouchers apply to permanent civil servants, persons on a labor contract and temporary staff (hired through employment agencies).<sup>11</sup> However, how civil servants are classified for eligibility is not specified. For example, it is unclear whether all listed civil servants on the payroll are actively employed. According to the National Budget 2023 the number of persons working for government totals 1750. We note that the number of vouchers requested totaled 1706.

The request for the disclosure of the number of eligible persons was made by email from the Cabinet of the Minister of Finance and sent to the respective Ministry's Secretary General (SG) and Financial Controller (FC).<sup>11</sup> Each Ministry's respective staff bureau used the payroll to determine the number of staff.

**Figure 1: process to determine eligible persons**



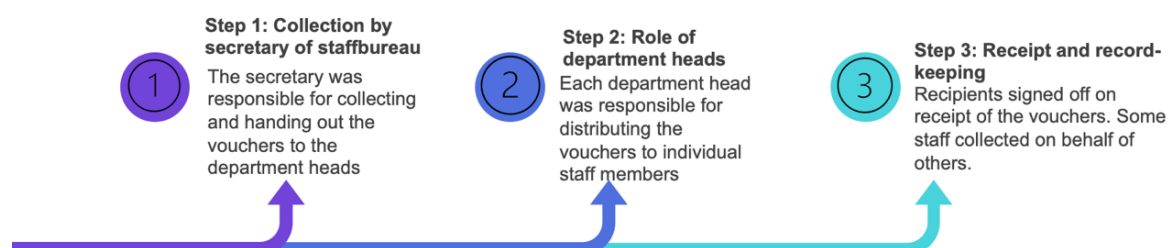
This number was then verified by the relevant department heads and submitted to the financial controller, who relayed the information to the Cabinet of the Minister of Finance. Each ministry used this process. Figure 1 depicts a simplified version of the process to determine eligible persons.

#### 3.2 Disbursement of vouchers

Each ministry's staff bureau managed the physical distribution of the vouchers. For the Ministry of Finance specifically, 156 vouchers were distributed. The secretary of the staff bureau of finance was responsible for handing out the vouchers to the relevant department heads.<sup>12</sup>

Once the secretary of the staff bureau handed over the vouchers to the department heads, they distributed the vouchers to the individual staff members. The receipt of the vouchers was signed off by each recipient to maintain a distribution record. Some staff collected on behalf of others. We did not receive supporting documentation confirming the number of vouchers received by the secretary or the specific number of vouchers received by the department heads for their staff. It is also unclear whether persons were required to present an ID when collecting their vouchers. Figure 2 depicts a simplified version of the disbursement process.

**Figure 2: Disbursement process of vouchers**



<sup>10</sup> <https://www.oecd.org/gov/internal-control-processes.htm>

<sup>11</sup> Letter from the Minister of Finance dated February 9<sup>th</sup>, 2024, with reference number: 4967.

<sup>12</sup> Correspondence by the Ministry of Finance dated April 5, 2024



### 3.3 Oversight and accountability

#### *Record- keeping and monitoring*

The Ministry of Finance maintained a signature list showing the receipt of the vouchers and the date received. This is considered a strong measure to ensure compliance. Further controls should be considered for the collection of vouchers on behalf of others. Without this, it is difficult to ensure that the vouchers reached the intended beneficiaries.

#### **Best practice 3:**

*To increase transparency and control, limit voucher pick-up by another person. An authorization letter should be presented when a voucher is picked up, on behalf of someone else. The letter should clearly state the consent, include the signature, and copy of ID of the recipient.*

#### *Reconciliation and follow-up*

The selected vendor included a validity term of six months for civil servants to utilize the vouchers. However, there is no system for the government to verify with the vendor the number of vouchers used compared to the number distributed. Also, the Government did not include the opportunity to be reimbursed for unused vouchers. We are unaware of the total amount spent and the amount left unspent.

#### **Best practice 4:**

*Implement an audit trail that documents the issuance, distribution, and redemption of vouchers. This record helps with the evaluation of the program's efficiency. It also improves transparency and makes it easier to identify and correct discrepancies.*

### 3.4 Conclusion

Government incorporated measures that promote the record-keeping for each voucher. If this program is continued in the future, we recommend that they take note of the best practices outlined in this report. More specifically, we note improvements can be made during the tendering process and budget compliance.

Addressing these improvements before implementing the program again will increase the standards of transparency and accountability. We appreciate Government's efforts and remain optimistic that the recommendations will be implemented for the reasons outlined in this report.

## 4 EPILOGUE

In our audit, we mentioned several areas for improvement, particularly in budget compliance, the procurement process, and internal controls. We recommend that the government adopt consistent budget codes, establish clear eligibility criteria, and implement oversight mechanisms to ensure the proper use of public funds.

In accordance with our audit protocol, both the Secretary-General and the Minister of Finance were given the opportunity to provide input on our findings, conclusions, and recommendations. However, we did not receive any responses from either of them. This report aims to enhance the transparency, efficiency, and accountability of the food voucher program issued to civil servants.

We appreciate the government's efforts and remain optimistic that our recommendations will be implemented to address the issues identified. We believe that future initiatives should meet high standards of financial management and transparency, thereby improving public trust and efficient use of resources.



General Audit Chamber  

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