



Office of the Auditor General

AUDIT REPORT ON THE MINISTRY OF TOURISM



2021

Reference No. **OAG/C.9.1/004**



OFFICE OF THE AUDITOR-GENERAL
P. O. Box N-3027
Nassau, The Bahamas

The Permanent Secretary
Ministry of Tourism, Investments and Aviation
Nassau, Bahamas

February 10th, 2022

**AUDIT REPORT ON THE
MINISTRY OF TOURISM, INVESTMENT AND AVIATION
BAHAMAS TRAVEL HEALTH VISA
FOR THE PERIOD NOVEMBER 1, 2020 TO AUGUST 31, 2021**

We have conducted an audit of the subject accounts for the period November 1, 2020 to August 31, 2021.

The purpose of the examination was to determine whether the accounting functions were being performed in accordance with the Financial Administration and Audit Act 2010, and the Financial Regulations 1975; also, to assess the internal control system and to determine whether the accounting records are being maintained according to good accounting practices.

We conducted the audit in accordance with International Standards on Auditing (ISAs) and standards applicable to financial audits contained in the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

The findings and recommendations arising from our audit along with management response are set out in the attached report. Our work did not involve a detailed review of all aspects of the system and cannot be regarded as a comprehensive statement of all weaknesses that exist or, of all improvements that might be made.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. Bastian', written over a horizontal line.

Auditor General
Terrance Bastian

CC/bn/js/nt/pf
Attch.

cc. Financial Secretary, Ministry of Finance
Treasurer, Public Treasury
Speaker, House of Assembly

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"The Ministry of Tourism, Investments and Aviation (the "Ministry") thanks the Office of the Auditor General of the Commonwealth of The Bahamas for the opportunity to respond to its Audit Report.

The Ministry is also pleased with the commendation received from the Office of the Auditor General for the implementation of The Bahamas Travel Health Visa ("BTHV") during the unprecedented COVID-19 pandemic.

While the Ministry is satisfied with the results of the Audit, the Ministry has identified specific areas of the report that we wish to respond to. (Ministry of Tourism and Aviation Management)

Executive Summary

The Bahamas Health Travel Visa online platform was implemented in November 2020. The Department of Transformation and Digitization (DTaD) was initially engaged and started the software development process in July 2020. We were informed that due to logistical considerations (especially DTaD's shortage of programmers available at the time), and the pressure placed on the Ministry of Tourism (the Ministry) to get the platform up and running the Ministry engaged Think Simple (the developer) to complete the engagement. In addition, the following contractors were engaged:

- CG Atlantic Insurance (travel insurance for visitors);
- Ports International (provider of Rapid Antigen Tests (RATs) for Day 5 tests);
- Alpha Tango (manages the 120 plus approved testing labs and the Day 5 tests);
- CaribPay (Bahamas) Ltd. (Kanoo) executed payments to all vendors monthly based on instructions received from Ministry of Tourism;
- Bank of the Bahamas facilitated the credit card payments.

We noted that the contracts for the BTHV Programme were not executed in accordance with the Financial Regulations 1975, Section 21(58) which states that *"All awards of contracts for supplies, works and services required by the Government in excess of two hundred and fifty thousand dollars shall be made by the Cabinet."* No competitive bidding was pursued, and the said

services commenced initially with only a verbal agreement. The signed contractual agreements were executed several weeks/months later.

Management Response

The Ministry acknowledges the lack of competitive bidding and the failure to execute contracts prior to the launch of the current version of the Bahamas Travel Health Visa. However, management strongly, believed that there was simply insufficient time to develop a Request for Proposal (RFP), receive bids and negotiate contracts in the designated time frame.

The Ministry decided not to use the DTaD platform for the same reasons given in the Report.

In addition, given the newness of the health visa product and the lack of any examples of how much time resources would be necessary to launch and manage it, management felt it was more prudent to allow the contractors, at the outset, to develop the Bahamas Travel Health Visa on a "time spent" basis and negotiate contracts three to four months after launch, once the scope of their work was better understood.

Initial documentation (contracts) received for audit inspection were in some cases not completely executed; but management subsequently did submit fully executed contracts. No document (contract) was officially executed with Kanoo.

The opening of the Bank Account "*with Kanoo at the Bank of the Bahamas*" is in violation of the Financial Administration and Audit Act 2010, Section 24, which states "*No person shall open an account with respect of public moneys with any bank without the written approval of the Minister and no bank shall permit an overdraft on any such account unless such overdraft has been authorised in writing by the Minister.*" The Government Accounting Manual Section 7.1.3 also states that, "*The Treasurer submits to the Minister of Finance a request to approve the opening of the bank account. (Note only the Minister of Finance has the authority to open up a bank account on behalf of the Government).*"

BACKGROUND

In March 2020, shortly after the World Health Organization (WHO) declared the novel coronavirus (COVID-19) outbreak a global pandemic; the Bahamas to contain the virus, closed its air and sea borders. The closing down of the country impacted the Tourism Sector with the greatest loss of jobs.

We were informed that in managing this crisis to take the country forward, the Office of The Prime Minister, Ministry of Health, Ministry of Tourism and Cabinet engaged in discussions revolving around the time that the country should be opened and the safety measures to be taken.

July 1, 2020 was designated as the reopening date of the borders for international travel. The country's collection and information record maintenance of persons travelling to and from the Bahamas and taking COVID-19 tests were pertinent. Hence, the need for an online Travel Health Visa. We were informed that the International Organizations agreed with the idea of the Bahamas Travel Health Visa.

The Department of Transformation and Digitization ("DTaD") with the Government's responsibility in technology started the initial implementation of processing the Programme activity. We were informed that this initial plan with DTaD involvement did not work due to:

- Insufficient man-power;
- One Programmer;
- System was only updated once per week; and
- Issues with the system were not resolved in a timely fashion

We were informed that the decision was made that during the second phase closing of the country, before reopening, the Government had eight (8) weeks to put a better plan in place; since the capacity and man power did not exist. Thus, Private Service Providers were sought to meet this need. DTaD was commended for initiating the process that set up step by step the business plan of the needs moving forward.

We were informed that Think Simple and Alpha Tango Media were introduced by the former Minister of Tourism and Aviation. We were further informed that the Private Service Providers were able to do everything needed. There were no written contracts, only verbal contracts.

We were informed that once the Private Service Providers were in place, there was a need to have expertise from the Compliance Team to verify the authenticity of the COVID-19 tests; to ensure that the COVID-19 results were genuine. The head of Travel Compliance Unit was charged with this responsibility.

We iterate that there were no documented agreement in place for the services to be provided on the behalf of the Government of The Bahamas. Negotiations of contracts did not begin until February/March 2021. We were informed that it was at this time that recommendations were made to the lawyer, in-house legal counsel.

TIMELINE OF BTHV PROCESS	
DATE	DESCRIPTION
July 2020	DTaD initiated the process of the BTHV
Mid-October / November 2020	Think Simple and Alpha Tango began further enhancement of the system DTaD started. Only verbal agreement at this time, no written contracts existed.
February / March 2021	Negotiations of official (written) contract began

We note that the BTHV started November 1, 2020.

Emphasis was made that the information collected from the Bahamas Travel Health Visa was data driven. It allowed the Ministry of Tourism and Aviation to use the data collected to enhance the Tourism product. The Immigration Card filled out by persons travelling to, from and within the Bahamas for the Bahamas Travel Health Visa is for the Ministry of Tourism and Aviation use only.

It was pointed out that previously, there was no data on Bahamians who traveled, whether domestic or international. The data collected from the BTHV is defined as a **"game changer"** for the Bahamas. It also has increased the ability to produce travel related reports for the Bahamas. The Bahamas' decision on the Bahamas Travel Health Visa initiative was needed to ensure that airlines would cooperate while checking people in, and the country could be part of a partnership along with Timatic International Civil Aviation Organization (ICAO). The Ministry of Tourism and Aviation sends information to Timatic to check and verify all documents.

We were informed that five (5) days before the country was scheduled to reopen in November 2020, the Programme lacked a **"payment gateway"**. CaribPay (Bahamas) Ltd (Kanoo) was brought in to provide this service.

Kanoo partnered with Bank of the Bahamas ("BOB") credit card facility. The Ministry of Tourism and Aviation opened up an account with BOB.

AUDIT SCOPE

The scope of the audit encompasses:

1. Assessment of the total amount collected in health visa fees;
2. Assessment of the total amount collected for health visa expenses by category;
3. Examination of the total amount remitted to the Consolidated Fund and the periodicity of such remittances;
4. Determining whether the service providers were authorized vendors of the Government and at the time of disbursements were compliant tax payers.
5. Determining whether the contractual arrangements covered the entire period the service was provided;
6. Determining the beneficial ownership information of the vendors;
7. Assessing whether the payments to vendors were consistent with the normal rules of payment to Government vendors;
8. Examining the contracts of the health visa travel insurance;
9. Confirming whether the collection and deposit of health visa fees are consistent with the legislation governing the collection of fees and taxes;
10. Assessing the adequacy, efficiency and effectiveness of the accounting and reporting of the Bahamas Health Travel Visa in the government financial and reporting framework.

AUDIT OBJECTIVES

The objective of our audit is to provide the intended users with independent, objective and reliable information, conclusions or opinions based on

sufficient and appropriate evidence relating to the BTHV. The objective is also for the following:

- Enhancing accountability and transparency;
- Encouraging continuous improvement and sustained confidence in the appropriate use of public funds and assets;
- The performance of public administration;
- Reinforcing the effectiveness of those bodies within the constitutional arrangement that exercise general monitoring and corrective functions over government, and those responsible for the management of publicly-funded activities; and
- Creating incentives for change by providing knowledge, comprehensive analysis and well-founded recommendations for improvement.

METHODOLOGY

The audit methodology encompassed interviews, inquiries, observations, examination (inspection, and confirmation) of all related documents, re-performance and analytical review of data.

AUDIT OF FINANCIAL RESULTS

We have audited the Bahamas Travel Health Visa (“BTHV”) for the period November 1, 2020 to August 31, 2021. We conducted the audit in accordance with International Standards on Auditing (ISAs) and standards applicable to financial audits contained in the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

The audit of BTHV includes a general review of all contracts related to its operation, the accounting procedures and systems of internal control, together with such tests of the records and supporting documents as are

considered necessary. Compliance with statutes, acts, regulations, directives and administrative requirements is also tested.

The financial transactions and results are the responsibility of management. In this regard, management has the responsibility for, among other things:

1. Establishing and maintaining effective internal control over financial reporting;
2. Identifying and ensuring that the BTHV complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws and regulations;
3. Monitoring the execution of all contracts related to the BTHV and,
4. Making all financial records and related information available to us.

Additionally, management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the BTHV received in communications from employees, former employees, analysts, regulators, or others.

AUDIT FINDINGS & RECOMMENDATIONS

The findings and the recommendations are presented for management's review, response and action for improvement as deemed necessary.

Revenues and Expenditures

Based on the income statement data provided by the Ministry of Tourism 906,171 users applied for Bahamas Travel Health Visa comprising of 704,868 visitors and 201,303 residents. The Ministry of Tourism reported gross revenues of \$34,442,104 (net of value added tax), and total expenses of \$23,657,900, and net amounts of \$10,784,204 transferred to the Consolidated Fund, for the ten (10) months period of November 2020 to August 2021.

Management acknowledges that net revenues were not transferred to the Consolidated Fund on a timely basis. Reconciliations and transfer of funds to the Consolidated Fund were not done on a timely basis. In the absence of

performing reconciliation functions in a timely manner, errors, fraud, and or irregularities could possibly go undetected.

Payments

The following are reported total payments (net of value added tax) for the period November 2020 to August 2021:

Vendors	Amount Paid \$	Percentage of Total Costs/Expenses	Percentage of Total Revenue
Bank of the Bahamas	1,537,053.80	6.2%	4.5%
Kanoo	456,992.83	1.8%	1.3%
CG Atlantic Insurance	16,782,875.00	67.5%	48.7%
Ports International	2,872,087.25	11.6%	8.3%
Testing Labs	1,734,292.86	7.0%	5.0%
Think Simple	851,683.50	3.4%	2.5%
Alpha Tango	524,979.71	2.1%	1.5%
*Miscellaneous	97,781.93	0.4%	0.3%
TOTAL	24,857,745.89		

Miscellaneous include reimbursement to the Ministry of Tourism of initial expenses in October 2020, SAGA Boys, and Alpha Tango. Management reports the total credit card fees charged amount to 5.8% of gross revenues, 4.5% paid to Bank of the Bahamas and 1.3% paid to Kanoo. These amounts appear to be within industry norms, but we believe the Government's portal could have been used to facilitate credit card purchases.

The Minister of Tourism and other Ministry of Tourism officials sent communication instructing (*authorizing*) Kanoo to make monthly payments to the vendors from the Ministry's account with Kanoo at Bank of the Bahamas, an activity that is inconsistent (*contrary*) with established practice of paying Government's vendors. We believe payments made to the Government's Bahamas Travel Health Visa vendors should be executed by the Public Treasury which has an established system in place to deal with Government revenue and expenditure.

Management's Response

The Ministry contends that the account with Kanoo is not the Ministry's bank account. It is Kanoo's account which allows it to process credit card payment

on the Ministry's behalf for the purposes of the BTHV programme. Kanoo received written authorization from the management of the Ministry of Tourism to open an account on behalf of the Ministry of Tourism's Bahamas Travel Health Visa. The Ministry submits copy of an email correspondence dated 31st October 2020 from Permanent Secretary, Ministry of Tourism and Aviation to the managing director representative of Kanoo in this regard.

The Ministry submits a preliminary agreement with both Think Simple and Alpha Tango was executed by the authorized representatives of both companies on 1st October 2020 and by Permanent Secretary, Ministry of Tourism and Aviation on 26th October 2020, prior to the official start of the BTHV programme on 1st November 2020.

The preliminary agreement was entered into on a short-term basis, prior to the execution of a master services agreement, to allow all parties involved to ascertain the requirements of the programme, which was unprecedented and not implemented anywhere else in the world at the time to draw comparisons with.

Additionally, Think Simple brought Kanoo on board due to the urgent need to provide an electronic payment collection, processing and management solution for the programme, which was due to go live within a short period of time.

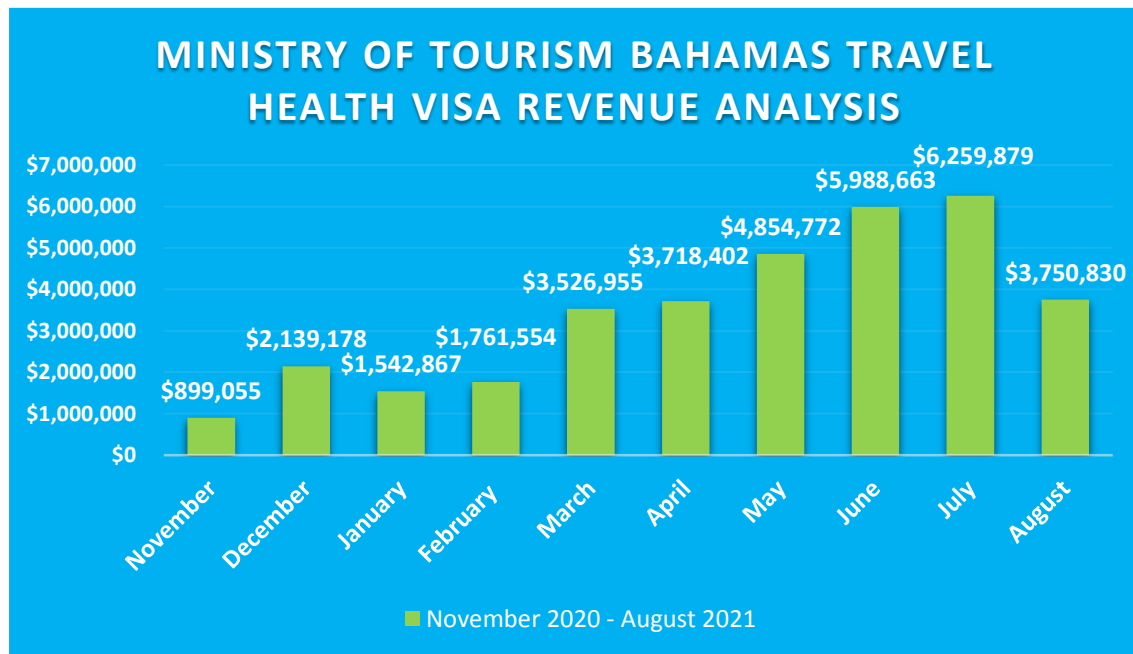
We wish to draw attention to the Promotion of Tourism Act, in particular Section 3(e) which empowers the Minister of Tourism to "enter into and make such contracts as the Minister may deem necessary..." The Ministry of Tourism is a corporate sole and as such, has always operated accounts into which receipts were deposited and from which disbursements were made using its long-established system of internal controls for paying vendors.

1.0 Revenue

Assessment of the total amount collected in travel health visa fees was from the data and supporting documentation provided by the Ministry of Tourism and Aviation.

For the period November 1, 2020 to August, 2021 \$34.42 million gross revenue that was collected for the BTHV Programme is shown monthly in the chart that follows:

- July 2021 – the peak month of travel generating \$6.25 million
- June 2021 – followed with \$5.98 million and



MINISTRY OF TOURISM BTHV REVENUE ANALYSIS			
MONTH COLLECTED	REVENUE \$	PERCENTAGE	MONTH RECORDED IN TFMS
Nov-20	899,005.36	3%	15-May-21
Dec-20	2,139,177.68	6%	15-May-21
Jan-21	1,542,866.96	4%	15-May-21
Feb-21	1,761,553.57	5%	15-May-21
Mar-21	3,526,955.36	10%	15-May-21
Apr-21	3,718,401.79	11%	24-Jun-21
May-21	4,854,772.32	14%	24-Jun-21
Jun-21	5,988,662.50	17%	26-Jul-21
Jul-21	6,259,878.57	18%	17-Sep-21
Aug-21	3,750,830.36	11%	23-Sep-21
TOTAL	34,442,104.47	100%	

The breakdown of the period, amount of the revenue collected and date recorded in the Treasury Financial Management System (TFMS) by the Ministry of Tourism and Aviation is shown in the analysis schedule that follows.

We noted the excessive (unreasonable) time elapsed between the revenue collections and accounting for the transactions in the TFMS. This is further analyzed in relation to the actual amounts in the TFMS as follows:

Revenue in the amount of \$9.84 million collected in November, 2020 to March, 2021 was not brought to account until May 2021, approximately some six months (6) later. It was not until June 2021, that monthly revenue collected was reported within a month.

TREASURY MANAGEMENT SYSTEM (TFMS)			
MONTH COLLECTED	REVENUE \$	PERCENTAGE	MONTH RECORDED IN TFMS
November 2020 - March 2021	9,848,170.54	28.61%	15-May-21
April and May 2021	8,573,174.11	24.91%	24-Jun-21
Jun-21	5,988,662.50	17.40%	26-Jul-21
Jul-21	6,259,878.57	18.19%	17-Sep-21
Aug-21	3,750,830.36	10.90%	23-Sep-21
TOTAL	34,420,716.08	100.00%	

We further note that, in a digital world, the turnaround for the Government's revenue that is collected across the digital platforms remained outstanding for an inordinate period. In addition, the \$34,442,104.47 million recorded by the Ministry when reconciled to the \$34,420,716.08 million TFMS resulted in variance of \$21,388, as shown in the schedule that follows.

BAHAMAS TRAVEL HEALTH VISA - REVENUE				
MONTH COLLECTED	REVENUE TFMS \$	REVENUE MOT INCOME STATEMENT \$	VARIANCE \$	MONTH RECORDED IN TFMS
November 2020 - March 2021	9,848,170.54	9,869,558.93	- 21,388.39	15-May-21
April and May 2021	8,573,174.11	8,573,174.11	-	24-Jun-21
Jun-21	5,988,662.50	5,988,662.50	-	26-Jul-21
Jul-21	6,259,878.57	6,259,878.57	-	17-Sep-21
Aug-21	3,750,830.36	3,750,830.36	-	23-Sep-21
TOTAL	34,420,716.08	34,442,104.47	- 21,388.39	

Management's Response

While the Ministry agrees with this observation, a dedicated member of staff was assigned to the accounting of transactions in February 2020. Shortly thereafter, monthly transfers to the TFMS commenced.

Management agrees with the findings on page 11 of the Report. At the launch of The Bahamas Travel Health Visa, all focus was on the customers experience and ensuring that the 'front end' of the platform was working as best as it could. The accounting and reporting systems for the Bahamas Travel Health Visa had to be built from scratch and that took a number of months to perfect. The programmers, at the outset, were simply not focused on generating the required monthly accounting data in an easily digestible format. While the reconciliations necessary to pay the suppliers were being performed on a monthly basis, generating an accurate income statement took some time to develop. When this was completed, timely reporting and uploading of the relevant financial data to the government's TFMS resulted.

2.0 Expenditure

Assessment of the breakdown of the expenditure to the Government in relation to the \$34.42 million revenue collected form the BTHV Programme, by expense categories are shown in the schedule below.

MINISTRY OF TOURISM EXPENDITURE ANALYSIS (Exclusive of VAT)			
Expenses	Vendor		
Travel Insurance	CG Atlantic	16,782,875.00	67.5%
Programming Costs	Think Simple	851,682.50	3.4%
Rapid Antigen Test Kit Provider	Ports International	2,872,087.25	11.6%
Test Providers	Various labs	1,734,292.86	7.0%
Test Administrator	Alpha Tango	524,979.71	2.1%
Misc Supplies	Various	97,781.93	0.4%
SUB-TOTAL EXPENDITURE		22,863,699.25	92.0%
Credit Card Fees			
	Bank of The Bahamas	1,537,053.80	6.2%
	Kanoo	456,992.83	1.8%
SUB-TOTAL EXPENDITURE		1,994,046.63	8.0%
TOTAL EXPENDITURE		24,857,745.87	100%

The Insurance Provider, CG Atlantic coverage for the BTHV for the period under examination totaled \$16.78 million (67.5% of the \$24.85 million total expenditure);

Rapid Antigen Test Kit Provider, Ports International, \$2.87 million (11.6% of the \$24.85 million); and Test Providers, various labs, \$1.73 million (7% of the \$24.85 million).

The period that the actual expenditure was paid from the revenue collected and the date reported are shown below.

MINISTRY OF TOURISM BHTHV EXPENDITURE ANALYSIS			
MONTH PAID	EXPENDITURE \$	PERCENTAGE	MONTH RECORDED IN TFMS
Nov-20	901,583.96	4%	15-May-21
Dec-20	1,505,973.01	6%	15-May-21
Jan-21	1,105,043.19	4%	15-May-21
Feb-21	1,362,137.07	5%	15-May-21
Mar-21	2,517,613.18	10%	15-May-21
Apr-21	2,707,104.37	11%	24-Jun-21
May-21	3,421,580.09	14%	24-Jun-21
Jun-21	4,285,572.27	17%	26-Jul-21
Jul-21	4,479,934.20	18%	17-Sep-21
Aug-21	2,571,204.55	10%	23-Sep-21
TOTAL	24,857,745.89	100%	

We note that the disbursement, the cash outflow to the Private Service Providers were executed monthly. However, the same activity was not captured in the TFMS in a timely fashion, inordinate processing time occurred. This is further broken down in the schedule that follows.

TREASURY MANAGEMENT SYSTEM (TFMS)			
MONTH PAID	EXPENDITURE \$	PERCENTAGE	MONTH RECORDED IN TFMS
November 2020 - March 2021	7,392,350.41	29.77%	15-May-21
April and May 2021	6,128,684.46	24.68%	24-Jun-21
Jun-21	4,285,572.26	17.26%	26-Jul-21
Jul-21	4,449,927.33	17.92%	17-Sep-21
Aug-21	2,571,204.55	10.36%	23-Sep-21
TOTAL	24,827,739.01	100.00%	

We further noted that a variance of \$30,006.88 occurred for the BTHV activity for the month of July 2021, as shown in the schedule that follows.

BAHAMAS TRAVEL HEALTH VISA - EXPENDITURE				
MONTH PAID	EXPENDITURE TFMS \$	EXPENDITURE MOT INCOME STATEMENT \$	VARIANCE \$	MONTH RECORDED IN TFMS
November 2020 - March 2021	7,392,350.41	7,392,350.41	-	15-May-21
April and May 2021	6,128,684.46	6,128,684.46	-	24-Jun-21
Jun-21	4,285,572.26	4,285,572.27	- 0.01	26-Jul-21
Jul-21	4,449,927.33	4,479,934.20	- 30,006.87	17-Sep-21
Aug-21	2,571,204.55	2,571,204.55	-	23-Sep-21
TOTAL	24,827,739.01	24,857,745.89	- 30,006.88	

3.0 Consolidated Fund Account

Examination of the total amount remitted to the Consolidated Fund and the periodicity of such remittances are shown in the schedule below.

TREASURY MANAGEMENT SYSTEM (TFMS)		
MONTH COLLECTED	REVENUE TRANSFERRED TO THE CONSOLIDATED FUND \$	MONTH TRANSFERRED TO THE CONSOLIDATED FUND
November 2020 - March 2021	2,763,630.51	15-May-21
April and May 2021	2,739,078.60	24-Jun-21
Jun-21	2,028,171.74	26-Jul-21
Jul-21	1,907,461.07	17-Sep-21
Aug-21	1,321,907.07	23-Sep-21
TOTAL	10,760,248.99	

Delay in timely remittance of Revenues

We note the time elapsed between revenue collected and revenue deposited to the Consolidated Fund Account. Timely depositing of the Government's revenue collections is critical to the operations of the Government and compliance with the financial laws.

The untimely reporting of the Government revenue collected from the BTHV to the Consolidated Fund Account is further broken-down in the schedule below.

MINISTRY OF TOURISM BHTV REVENUE AND EXPENDITURE ANALYSIS - AMOUNT WIRE TO THE CONSOLIDATED FUND			
MONTH COLLECTED	REVENUE TRANSFERRED TO THE CONSOLIDATED FUND \$	MONTH TRANSFERRED TO THE CONSOLIDATED FUND	TIME LAPSE BEFORE TRANSFER
Nov-20	9,664.73	15-May-21	6 Months
Dec-20	709,573.22	15-May-21	5 Months
Jan-21	447,346.48	15-May-21	4 Months
Feb-21	1,130,463.24	15-May-21	3 Months
Mar-21	490,537.83	15-May-21	2 Months
Apr-21	1,133,903.30	24-Jun-21	2 months
May-21	1,605,175.30	24-Jun-21	1 months
Jun-21	1,907,461.07	26-Jul-21	1 months
Jul-21	2,028,171.74	17-Sep-21	2 months
Aug-21	1,321,907.07	23-Sep-21	1 months
TOTAL	10,784,203.98		

Recommendation

We recommend that revenue should be deposited in a timely manner. The financial regulations require timely deposits of all Government revenues to the consolidated fund.

Management's Response

This administrative oversight has been corrected.

4.0 Revenue Variance

In addition, to the late deposits of the Government revenue, a variance of \$23,954.99 exist as shown below.

DESCRIPTION	AMOUNT \$
MINISTRY OF TOURISM FUNDS SENT TO TREASURY	10,784,203.98
TREASURY FINANCIAL MANAGEMENT SYSTEM	10,760,248.99
VARIANCE	23,954.99

5.0 VAT Activity Analysis

The inflow and outflow of cash for the Vatable BTHV services are show below.

TREASURY MANAGEMENT SYSTEM (TFMS)				
VAT IN TFMS \$	VAT OUT TFMS \$	VARIANCE \$	MONTH COLLECTED AND PAID	MONTH RECORDED IN TFMS
1,181,780.46	873,970.08	307,810.38	November 2020 - March 2021	15-May-21
1,028,780.89	734,191.94	294,588.95	April and May 2021	24-Jun-21
718,639.50	514,268.67	204,370.83	Jun-21	26-Jul-21
751,185.43	532,964.93	218,220.50	Jul-21	17-Sep-21
450,099.64	307,818.38	142,281.26	Aug-21	23-Sep-21
4,130,485.92	2,963,214.00	1,167,271.92	TOTAL	

The BTHV generated \$4.13 million in VAT revenue and the Government incurred \$2.96 million in VAT expenditure for net Vat revenue of \$1.16 million. In addition a VAT variance of \$1,034.21 exist, as shown below.

MINISTRY OF TOURISM INCOME STATEMENT				
VAT IN MINUS VAT OUT TFMS \$	VAT IN MINUS VAT OUT MOT \$	VARIANCE \$	MONTH COLLECTED AND PAID	MONTH RECORDED IN TFMS
307,810.38	310,376.99	- 2,566.61	November 2020 - March 2021	15-May-21
294,588.95	294,588.95	-	April and May 2021	24-Jun-21
204,370.83	204,370.83	-	Jun-21	26-Jul-21
218,220.50	214,619.68	3,600.82	Jul-21	17-Sep-21
142,281.26	142,281.26	-	Aug-21	23-Sep-21
1,167,271.92	1,166,237.71	1,034.21	TOTAL	

6.0 Port International Fee

According to the contract between the Ministry of Tourism and Port International Limited Section 4.1, "A fee of ten dollars and seventy-five

cents (BSD \$10.75) per test sold (provided with BTHV) plus a fifty cents (BSD \$.50) PPE fee, for a total fee of eleven dollars and twenty-five cents (BSD \$11.25) plus value added tax (VAT) per test sold in accordance with Exhibit "B" of this Agreement." As indicated in the table below for the months of November 2020 through February 2021 Rapid Antigens Test in the amount of 78,478 were purchased at \$11.75 resulting in an overpayment of \$43,947.68.

PORTS INTERNATIONAL										
MONTH	RAPID ANTIGENS TEST PURCHASED	COST PER TEST CHARGED	COST PER TEST CHARGED SHOULD BE	AMOUNT PAID	AMOUNT SHOULD BE PAID	VAT PAID	VAT SHOULD BE PAID	AMOUNT PAID AFTER VAT	AMOUNT SHOULD BE PAID AFTER VAT	OVER PAYMENT
NOVEMBER 2020	17,853	\$ 11.75	\$ 11.25	\$ 209,772.75	\$ 200,846.25	\$ 25,172.73	\$ 24,101.55	\$ 234,945.48	\$224,947.80	\$ 9,997.68
DECEMBER 2020	23,693	11.75	11.25	278,392.75	266,546.25	33,407.13	31,985.55	311,799.88	298,531.80	13,268.08
JANUARY 2021	17,107	11.75	11.25	201,007.25	192,453.75	24,120.87	23,094.45	225,128.12	215,548.20	9,579.92
FEBRUARY 2021	19,825	11.75	11.25	232,943.75	223,031.25	27,953.25	26,763.75	260,897.00	249,795.00	11,102.00
TOTAL	78,478			\$ 922,116.50	\$ 882,877.50	\$ 110,653.98	\$ 105,945.30	\$ 1,032,770.48	\$ 988,822.80	\$ 43,947.68

We recommend that the over expenditure of \$43,947.68 be recovered and deposited to the Consolidated Fund Account as revenue.

Management's Response

In accordance with clauses 4.3 and 4.4 of the Agreement with Ports International, an advanced payment is to be paid to this vendor at the beginning of the month and by the end of the month, reconciliation of the previous month's accounting would occur thereby resulting in payments netting out at the end of the contract.

7.0 Approval of Service Providers as Authorized Vendors

Assessment results, regarding determination as to whether the service providers were authorized vendors of the Government and at the time of disbursements were compliant tax payers, are shown below.

VAT FILLING RETURNS AND PAYMENTS					
TAXPAYER	VAT REGISTRATION DATE	VAT TIN #	FILLING PERIOD	VAT PAYMENTS CURRENT	VAT COMPLIANT
Alpha Tango Media Bahamas Limited	12-Mar-21	114638984	Quarterly	No	No
Think Simple Ltd.	24-Mar-16	100353000	Quarterly/Monthly	Yes	Yes
CG Atlantic Medical & Life Ltd.	01-Jan-15	100070150	Monthly	Yes	Yes
CaribPay (Bahamas) Ltd. (Kanoo)	01-11-18	106473292	Quarterly/Monthly	Yes	Yes
Ports International Ltd.	22-Oct-14	100005534	Monthly	Yes	Yes

8.0 Contractual Arrangement of Service Period

Determination as to whether the contractual arrangements covered the entire period of the BTHV service was assessed, according to the contracts that were provided, and the results are shown in the schedule below.

CONTRACTORS	CONTRACT LENGTH	CONTRACT SIGNED	DATE SIGNED	COMMENT
CaribPay (Bahamas) Ltd – Kanoo	27 th October, 2020 to 26 th October, 2021	NO		
Alpha Tango Media (Bahamas) Limited	1 st November, 2020 to 31 st October, 2021	Yes	3 rd June 2021	Contract signed by Alpha Tango President but not by the Permanent Secretary Ministry of Tourism
Think Simple Ltd.	1 st November, 2020 to 31 st October, 2021	Yes		
Port International Limited	1 st November, 2020 to 31 st October, 2021	Yes	7 th & 8 th September 2021	The contract was signed over 10 months from contracted effective date and less than 2 months from expiry date.
CG Atlantic	14 th November, 2020 to 14 th November, 2021.	Yes	26 th November, 2020	

Management's Response

Evidence is attached to support that the Ministry executed an Agreement with Think Simple and Alpha Tango, effective 1st October 2020. Also note that the standalone contract for Alpha Tango was signed by Permanent Secretary, Ministry of Tourism and Aviation on 8th June 2021. The fully executed copy of the Agreement is attached for review.

9.0 Beneficial Ownership Information

Determination of the beneficial ownership information of the vendors.

The beneficial owners of the following Vendors were provided by Management as follows, from the Certificate of Incumbency:

Vendors	TIN	Certificate Date	Shareholders	Manager/Director
Atlantic Medical Insurance, T/A - CG Atlantic Insurance	100070150		Documentation Provided of Beneficial Ownership	Documentation Provided of Beneficial Ownership
Think Simple	100353000	March 9 th . 2021	Documentation Provided of Beneficial Ownership	Documentation Provided of Beneficial Ownership
Ports International	100005534	November 12, 2020	Documentation Provided of Beneficial Ownership	Documentation Provided of Beneficial Ownership
Alpha Tango Media	1114638984	January 14, 2021	Documentation Provided of Beneficial Ownership	Documentation Provided of Beneficial Ownership
Kanoo Pays/ CaribPay	10673292	October 22, 2021	Documentation Provided of Beneficial Ownership	Documentation Provided of Beneficial Ownership
Bank of the Bahamas			Bahamas Government	
Labs (120 plus)				

Source: *Ministry of Tourism's Legal Office*

10.0 Bank Account

We noted that a Bank account "with Kanoo at the Bank of the Bahamas" was opened without the Minister of Finance approval. This is in violation of the Financial Administration and Audit Act 2010, Section 24, which states "No person shall open an account with respect of public moneys with any bank without the written approval of the Minister and no bank shall permit an

overdraft on any such account unless such overdraft has been authorised in writing by the Minister.”

The Government Accounting Procedural Manual Section 7.1.3 also states that, “ The Treasurer submits to the Minister of Finance a request to approve the opening of the bank account. (Note only the Minister of Finance has the authority to open up bank account on behalf of the Government).”

The prevailing practice has been the request would be initiated by a Ministry or Department by the submission of an application to the Treasury stipulating the purpose, among other things, and subsequent approval by the Minister of Finance.

Scope Limitation:

We requested evidence of this approval and has not received any documentation in this regard.

Recommendation

We recommend compliance with the Act by submitting the required application to the Treasurer be submitted for the Treasurer to seek approval from the Minister of Finance.

11.0 Bank and Other Reconciliations

This is especially important as the Ministry does not maintain double entry accounting to facilitate adequate audit trails.

Recommendation

Performing bank and other reconciliations on a timely basis is an important control. The reconciliations should be performed by a person (s) without record keeping functions and the final result should be reviewed by senior personnel ideally not involved in the recordkeeping process. Failing to execute this important internal control function can result in undetected fraud schemes and other improper conduct.

12.0 Health Travel Visa Insurance Provider

Financial Regulations 1975, Section 21(58) states that “All awards of contracts for supplies, works and services required by the Government in excess of two hundred and fifty thousand dollars shall be made by the Cabinet.”

Management admits that at least one contract they signed with vendors was not subjected to the tendering/bidding process. Accordingly, we obtained documentary evidence from management stating that the contract with the insurance provider CG Atlantic did not go through the bidding process by complying with the Financial Regulations. No competitive bidding was pursued, and the said services commenced with only a verbal agreement. Management said their decisions were based in the interest of time limitations.

We recommend that material commitments such as this one, should still go through the procurement process and be approved by Cabinet.

Management Response

The Ministry also received an expression of interest from another company. However, once it became aware of the Government’s requirements for the programme, company expressed to the Ministry that it was no longer interested in submitting a formal bid.

Questions related to Insurance

12.1 Whether the effective date of any coverage provided by Atlantic Medical was actually in force before the documents were signed by the parties (MoT & Atlantic Medical)?

Management’s Response

Insurance coverage commenced concurrently with the Effective Date of the insurance policy on November 14, 2020.

12.2 Where there any claims experienced by Atlantic Medical and their internal procedures for contracting the services to the Government?

Management's Response

The individual traveler or his/her designated representative is responsible for initiating a claim under the insurance policy. The Ministry did not survey travelers on their claims experience with Atlantic Medical, The Ministry is not privy to any of Atlantic Medical's internal procedures.

12.3 Where there any commissions/fees were paid to Agents/Brokers, and if so, provide the names of the recipient(s)?

Management's Response

The insurance agreement does not provide for commission to agents or brokers.

13.0 Information Technology (IT) Controls Assessment

13.1 System Walkthrough

We performed a systems walkthrough and observed that some system changes were implemented that produced regression issues. Undocumented changes were made at the coding level that was factored in the total amount of travelers and the revenue calculations.

Recommendation

Tests should be performed to ensure that the desired results are achieved before going to production/operation. Additionally, when application changes are made that require retroactive treatment, management should ensure that the effective date of the change is appropriately documented.

Implication

Inaccurate data will be produced along with the loss of audit trails.

13.2 Programming Regression Issues

Programming errors were noted in the fee coding for two revenue categories.

Recommendation

Tests should have been executed before launching to production.

Implication

Incorrect revenue data will be produced.

13.3 Personal Health Data

The Ministry of Tourism and Aviation is processing "Personal Health Data"

Implication

The Ministry of Tourism and Aviation will be exposed to potential liability if the data is not properly secured.

Recommendation

We recommend the adoption of internationally acceptable rules for the protection of health data.

13.4 Source Code Listing

We examined the contract with Think Simple (the developer) and observed that the (source code listings) is the property of Think Simple.

Implication

Failing to have this important provision exposes the Ministry of Tourism and Aviation and other stakeholders to significant risks which include but are not limited to: the developer ceases to exist for any reason, the developer's business is sold to another party, unfavorable dispute resolution, among others. Without access to the source code listings implementing changes to the online application will be complex, if not near impossible.

Recommendation

The source code listings should be placed in escrow.

13.5 Processing of Credit Card Information

The processing and protecting visitors' credit card information have been contracted out to Kanoo but the legal obligation and accountability remain with the Ministry.

Implication

The Ministry could be held accountable and potentially liable in the event of data or vendor breaches.

Recommendation

It would be prudent for the Ministry to obtain reasonable assurance from Kanoo that the company is operating in compliance with internationally acceptable standards such as the Payment Card Industry Data Security Standard (PCI DSS) or another appropriate standard.

Management's Response

The Ministry is satisfied that Kanoo has implemented the required data security standards. Kanoo is licensed by the Government of The Bahamas and must adhere to all policies and regulations thereto. Additionally, the Ministry has stipulated in the agreements with Kanoo and Think Simple that all data processed (including personal health data) remains under the ownership of the Ministry. Information must also be stored and hosted in the Government's server facilities with Cloud Carib in The Bahamas, consistent with Government's policy for all of its data to be stored and hosted in its server facilities.

Where a breach of these provisions occurs, the Ministry may hold the service providers liable pursuant to the terms of the agreements.

Reformation of the Bahamas Travel Health Visa Programme Revenue Management Administration

The current revenue management administration of the BTHV with the Government having limited control over its own revenue collection and related revenue expenditures is deemed critical and requires redress. This concerns warrant the resolution at Ministry of Finance, The Public Treasury Department, Ministry of Tourism and Aviation and The Office of The Prime Minister in which the Department of Transformation and Digitization (DTaD) is under.

The Government Digitization Project in Process by DTaD could be advanced to create within the IT Department:

- Well-structured Digital Revenue Management Integrated System for the Government to have ultimate control over its revenue collection throughout the Ministries, Department and Agencies (MDAs);
- Create links across the MDAs Websites for effective and efficient processing flow of Government Services and Programmes generating outflow and inflow of resources; for a greater degree of accountability;
- Coding – to Create Revenue Management Integrated Websites within the Government to prevent revenue leakages through outsourcing;
- Increasing the Websites within the Government to prevent the Government from having limited control over its own revenue;
- Capacity Building – Utilizing internal human capital effectively and efficiently to manage digital Government Programmes and Services to maximize resources, enhance revenue and prevent revenue leakages;
- Government to advance Digital Revenue Collection Smart Machines across the MDAS Revenue Centers to control the leakage of revenue;
- Control the Reporting for accountability, transparency and good governance;
- Timely Accounting and Reporting of Government Revenue;
- Create embedded fraud Prevention and detection controls across the Smart Machines;
- Creating Payment Options: Online or in Person at MDAs via the Government ATMs/Smart Machines to:
 - Reduction in Processing Time;
 - Reduction in Outsourcing Processing Fees;

- Enhancing Using Experience (UX);
- Advancing the Ease of Doing Business;
- The implementation of Government Machines (ATMs) / Smart Devices to be fully maximize across MDAS to enhance revenue, reconciliation, accounting and reporting and scarce resources maximization for growth.

COVID-19 necessitated some realities that are not reflected in the Financial Regulations. The Ministry of Tourism failed to comply with the Regulatory requirements for the procurement of goods and services. Seeking competitive bids is a mechanism intended to provide some assurance as to the reasonableness of costs of goods and services. Considering the cost of the travel insurance to CG Atlantic of \$16,782,875 (net of Value Added Tax), representing 48.7% of total revenue, it would have been prudent to test the marketplace by seeking at least one other quote despite the pressing time limitations.

Initial security features built into the online platform appears to be reasonable, but management is advised to remain diligent and implement continuous monitoring as custodians of customers personal data. The Ministry may assign certain data management and security responsibility, but The Ministry cannot relinquish accountability for governance and data security. Risks and vulnerabilities will change as the tactics of threat actors are continuously evolving.

Controls, and the accuracy and reliability of accounting and reporting needs to be improved. Controls such as timely reconciliations, risk assessments, documentation of vulnerabilities and assigning ownership and responsibility for corrective action can go a long way in reducing risks to acceptable levels. The accounting records are producing some differences/discrepancies of up to \$62,471 in understatement of revenues which management deems as immaterial, but the reciprocal of this essentially can represent up to 2,000 visitors which may indicate a need to examine the cause of this and improve operational practice.

CONCLUSION

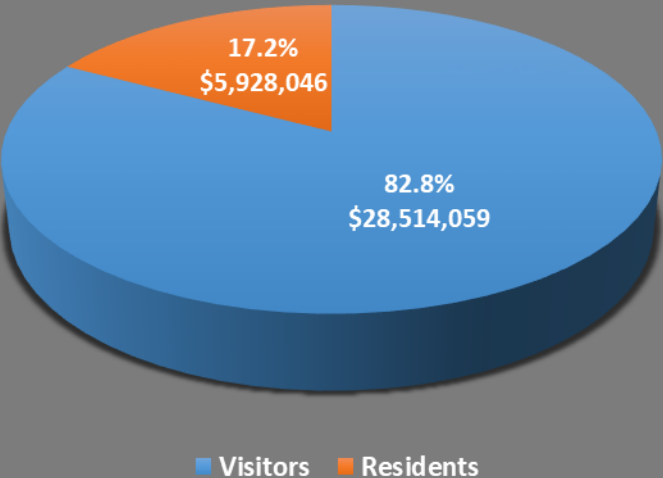
COVID-19 pandemic took the world by storm and indeed the Commonwealth of The Bahamas. Programmes and initiatives were taken by the Government that were deemed as the mitigation containment measures, for the health, safety and economic sustainability of the country. Accordingly, the Bahamas Health Travel Visa was deemed as such by the Ministry of Tourism and Aviation on this wise.

We want to commend the Ministry of Tourism for its vision and implementation of the Bahamas Health Travel Visa. It assisted the Bahamas in monitoring the movement of people travelling during the Pandemic.

During such extraordinary times government needs to be creative, flexible without jeopardizing good governance (transparency and accountability).

We would like to take this opportunity to thank Ministry of Tourism and Aviation Management and staff for their cooperation and assistance provided to us during the course of the audit.

TOTAL BTHV REVENUE BASED ON VISITORS AND RESIDENTS NOVEMBER 2020 - AUGUST 2021



NUMBER OF VISITORS AND RESIDENTS WHO USED THE BTHV PROGRAM NOVEMBER 2020 - AUGUST 2021

