

**SPECIAL AUDIT REPORT
OF THE
ALL-ISLAND JAMAICA CANE
FARMERS' ASSOCIATION**

**Auditor General of Jamaica
Auditor General's Department
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February 2011

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Foreword

Historically, Jamaica has been involved in the production of sugar which provides significant employment¹ for many persons in the surrounding vicinities of those farms. The All Island Jamaica Cane Farmers Association (AIJCFA) in recent times has been criticized as being incapable of fulfilling its mandate.

AIJCFA is expected to sustain its operations. However, concerns have been raised in respect of its financial viability. A recent consultant report (Goodridge Report) gave indication that the AIJCFA, unless there is a change in its *modus operandi* is on the brink of bankruptcy.

The Minister of Agriculture and Fisheries requested that I review the performance of the AIJCFA because of the concerns with the financial state of affairs of the entity and the overall governance.

The review identified that AIJCFA requires capital injection. Further, its business processes and management practices are in need of immediate revision if the entity intends to satisfy its objectives, provide benefit to its members and utilize its resources in an economic manner.



Pamela Monroe Ellis, FCCA, FCA, CISA

Auditor General

¹ Approximately 18% of the Total Employment in Agriculture (www.jamaicasugar.org)

Executive Summary

The All-Island Jamaica Cane Farmers Association (AIJCFA) was incorporated by the Sugar Cane Farmers (Incorporation and Cess) Act, 1941 (SCF Act). The Association has autonomy over its assets as stipulated under the Act, which provides that they can buy, sell, transfer or dispose of assets as they see fit.

The AIJCFA as evidenced by Section 4 of the SCF Act is expected to:

- *promote, foster and encourage the growing of cane by farmers and the orderly and proper delivery thereof to factories and the extension and welfare of cane farmers as an Island Industry.*
- *aid in settling disputes which may arise between cane farmers and sugar factories, cane farmers and labour, and cane farmers inter es;*
- *promote any bill in furtherance of the interest of cane farmers;*
- *invest and deal with the money of the Association in such manner as may from time to time be determined by the Committee of Management. To pay all costs, charges and expenses that may be incurred by the Association at any time;*
- *Generally to do all such acts, matters and things as it may appear to the Association to be conducive to the attainment of the above aims and objectives, or any of them;*

In general, the role of the AIJCFA is to promote the interests of its members, and operate and sustain itself in an efficient manner.

Although the AIJCFA is a private entity, the Auditor General's Department (AuGD) has the authority to audit any entity which utilizes government resources. The Incorporation and Cess Act of 1941 requires *inter alia* that the AIJCFA make periodic reports to the Minister of Agriculture and Fisheries as to how the resources are being utilised and the deduction of a levy from the farmers' sugarcane sales.

Generally, the AIJCFA is required to provide an institutional framework for small sugarcane farmers. Thus, cane farmers will have a medium to facilitate expression of views and to pursue their interest.

Our audit focused on the corporate governance practices of the AIJCFA and an analysis of the entity's state of affairs. We made reference to the Goodridge report² which focused primarily on institutional strengthening. The report also made several recommendations to improve the administrative capabilities and different approaches to improve the techniques used in the production of sugarcane.

We were advised by management that one month before the audit the computer system that contained the accounting records 'crashed' and the laptop containing accounting information was reported stolen. Consequently, our analysis was limited in scope because of inadequate accounting records.

Key Findings

1. We found that the AIJCFA was in breach of various provisions of the Act:
 - For the last 10 years, only four of the required Annual General Meetings were held;
 - The AIJCFA has not submitted audited financial statements to the relevant Minister since September 2006;
 - Estimates of Income and Expenditure were not prepared for the last 8 years;
 - Financial Statements remain unaudited since 2006-07; and
 - The cess was being paid to Jamaica Cane Products Sales (JCPS) instead of Sugar Industry Authority (SIA).
2. We found that during the period 2001-06, the AIJCFA had continuing net losses, and negative equity. The AIJCFA financial dilemma was compounded by negative cash flows from operations, which ranged from negative \$2.2M to negative \$18.8M.
3. There is no clear policy, which shows that the AIJCFA is geared towards engagements, which assures its viability and is pursuing the interest of its members. The results of the audit indicate that the Association's viability as a going concern will require additional investment and waivers. If the AIJCFA is to remain viable management must secure its financial arrangement with creditors and implement strategic measures to reverse its deficit position.
4. The AIJCFA does not have a system in place to readily determine the actual cess receivable. Our audit revealed that the cess was improperly used to offset \$4.5M in relation to staff members' motor vehicle loans with AIJCFA.
5. We found that the AIJCFA did not design and implement systems to ensure accountability and transparency as outlined below:
 - The accounting and other duties of the entity were not appropriately segregated to prevent and detect errors and misappropriation of assets;

² Institutional Strengthening of the All-Island Jamaica Cane Farmers Association Draft Final Report by C.A. Goodridge et al – December 2007

- The authenticity of payments amounting to \$85.3M could not be verified due to the absence of the relevant supporting documents;
 - Unauthorised payments amounting to \$6.2M were made to staff members. These include bonus payments, entertainment allowance, payments in lieu of vacation leave, private utility payments, private rental, school assistance and loans.
6. We found that the AIJCFA operates a system of cash payment which limits adequate paper trail for transactions and increases the exposure to risks. It was noted that cheques drawn for amounts up to \$1.6M were encashed and funds used by AIJCFA to offset recurrent expenses.

Recommendations

1. In keeping with good corporate governance, the AIJCFA should strictly comply with the provisions of the Act to ensure that it faithfully fulfils its fiduciary responsibilities to cane farmers and other stakeholders.
2. The AIJCFA should develop and implement robust financial management which should include an action plan to address the current operational deficiencies.
3. The AIJCFA will require injection of capital and waivers (statutory liabilities) to prevent insolvency.
4. The AIJCFA should design, implement and maintain a good system of internal control to prevent and detect errors and misappropriation of assets.
5. We implore the Government and other stakeholders to consider the findings and recommendations of the Goodridge Report with a view to implementation.

Conclusion

The AIJCFA plays a vital role in the sustainable development of the sugarcane industry in Jamaica through its legal requirement to provide financial assistance and to undertake research aimed at improving the farmers' output. Furthermore, the AIJCFA is the voice of the cane farmers, to Government, that should articulate and escalate matters affecting them. However, the results of our audit suggest that the AIJCFA is struggling to survive because of inadequate resources, which will negatively affect the service level it is capable of providing to the farmers. Further, the audit revealed that significant weaknesses in AIJCFA's corporate governance practices over the years may have contributed to the current state of affairs. It is imperative that quick and drastic measures be taken to cease the trend towards insolvency.

Background

- 1.1 The All Island Jamaica Cane Farmers Association (AIJCFA) was incorporated by the Sugar Cane Farmers (Incorporation and Cess) Act, 1941. Section 2(1) of the Act states that:

'As from the 25th of December 1941, the existing organisation known as the All Island Jamaica Cane Farmers Association shall be a body corporate under the name of the All Island Jamaica Cane Farmers Association (hereinafter referred to as the Association).'

Power of the Association

- 1.2 Section 3 states that:

"the Association may acquire, purchase, lease, take, hold and enjoy, either absolutely or subject to any trusts, movable and immovable property of every description, and, subject as hereinafter provided, may sell, convey, assign, surrender and yield up, mortgage, demise, re-assign, transfer or otherwise dispose of, any movable or immovable property vested in it upon such terms as to the Association may seem fit."

Objects of the Association

- 1.3 Section 4 states the objects of the Association as:

- a) *To promote, foster and encourage the growing of cane by cane farmers and the orderly and proper deliver thereof to factories and the extension and welfare of cane farming as an Island industry;*
- b) *The preparation of or the settling of terms for cane farmers' contracts with sugar or other factories and labour;*
- c) *To aid in settling disputes which may arise between cane farmers and sugar factories, cane farmers and labour, and cane farmers inter se;*
- d) *To act as agents for cane farmers or any of them, in any matter;*
- e) *To promote any Bill in furtherance of the interest of cane farmers;*

- f) *To make representations to the Government on any matter affecting the interests of cane farmers;*
- g) *To buy and sell and deal in fertilizers and agricultural implements and supplies if and when it may be deemed necessary to do so for the benefit of the Members of the Association;*
- h) *To invest and deal with the money of the Association in such manner as may from time to time be determined by the Committee of Management. To pay all costs, charges and expenses that may be incurred by the Association at any time;*
- i) *To become members of any association, except any political body or association;*
- j) *To endeavour to obtain or to extend financial aid for such members who may require such aid in the carrying on of their cane cultivation;*
- k) *To borrow, with approval of the Minister responsible for finance, sums required by the Association for meeting any of its obligations or discharging any of its function;*
- l) *Generally to do all such acts, matters and things as it may appear to the Association to be conducive to the attainment of the above aims and objectives, or any of them.*

1.4 In general, the role of the AIJCFA has been to provide an institutional framework for small sugarcane farmers, to secure input supplies, to improve extension services and generally to serve as a platform or vehicle through which sugar cane farmers can articulate their views and pursue their interest. The AIJCFA has made a marked contribution in terms of consolidating farmers and articulating their interest and giving them a voice.

Management of the Association

1.5 Section 6(1) states that:

“the affairs of the Association shall, subject to the provision of this Act, be managed by a Committee of Management (hereinafter referred to as the Committee), which subject always to the provisions, shall control the income capital funds and property of the Association and govern, direct and decide all matters connected with the appointment of officers and servants of the Association and with the administration of the affairs, and the accomplishment of the objects and general purpose, of the Association, and the Committee shall have and may exercise all the powers conferred on the Association by the Act.”

1.6 The main sources of funding to the AIJCFA are from income generated from commercial activities undertaken by the AIJCFA and the Cess imposed by the Minister under Section 19(1) of the Act which states that:

“the Minister may by order impose upon all canes delivered by any cane farmer to any sugar manufacturer during the crop season thereby specified a cess at such rate as the Minister may approve on the recommendation of the Association.”

Audit Objective

- 1.7 The audit sought to ascertain whether, the activities of the AIJCFA were being carried out in accordance with the relevant laws that govern its operations. And, that the internal control and accounting systems were adequate and operating efficiently and effectively.

Scope and Methodology

- 1.8 The audit focussed on reviewing and analysing relevant financial and non financial information pertaining to the management and administration of the AIJCFA for the period April 2007 to October 2010. Risk based audit methodology was applied to all areas reviewed.

Only Four Annual General Meetings in Ten Years

2.1 Section 10 of the Act states:

“A General Meeting of the Association (hereinafter referred to as the Annual General Meeting) shall be held once each year on such date and at such place as the Committee may appoint.”

2.2 We found that during the period 2001 to 2010 the appointed Committees failed to faithfully comply with this provision of the Act. In fact, only four AGMs were held during the period.

2.3 The absence of the required Annual General Meetings is not only a breach of the Act, but also a serious deficiency in the corporate governance of the AIJCFA as it deprives the main stakeholders (cane farmers) the right to assess the state of affairs of the entity and offer direction to its operations.

2.4 The AIJCFA has not submitted audited financial statements to the relevant Minister since September 30, 2006. The Minister has a responsibility under the Act to submit the statements to the Speaker of the House of Representatives who should cause the reports to be tabled.

Estimates of Income and Expenditure were not Prepared for the Last 8 Years

2.5 The AIJCFA has not prepared statements of Income and Expenditure since 2003 contrary to Section 14(1) of the Act, which states that:

“the Committee of Management shall, on or before the 15th day of July in each year, prepare and submit to the Minister true Estimates of the income receivable and expenditure to be incurred during the financial year commencing on the 1st day of October then following.”

2.6 The AIJCFA failure to comply with section 14(1) resulted in a breach of Section 21 of the Act by SIA, which states that:

“the Sugar Industry Authority shall hold all sums paid to it by way of sugar manufacture under Section 20 until the publication in the gazette of the estimates as

provided in subsection(3) of Section 14, and upon the publication thereof shall pay those sums to the association.”

- 2.7 Despite the provisions of the Act stated above, the Sugar Industry Authority (SIA) through Jamaica Cane Products Sales³ (JCPS) has consistently remitted cess to the AIJCFA. Thus, Parliament and other stakeholders were denied the right to assess the affairs of the AIJCFA and intervene and influence its policy direction.

Financial Statements Remain Unaudited Since 2006-07

- 2.8 Section 15(2) of the Act requires that:

“the Committee forward certified copies of a report of its proceedings, together with a complete statement of its financial position and its accounts, audited and certified by an auditor approved by the Minister, who shall cause such certified copies to be laid before the House of Representatives.”

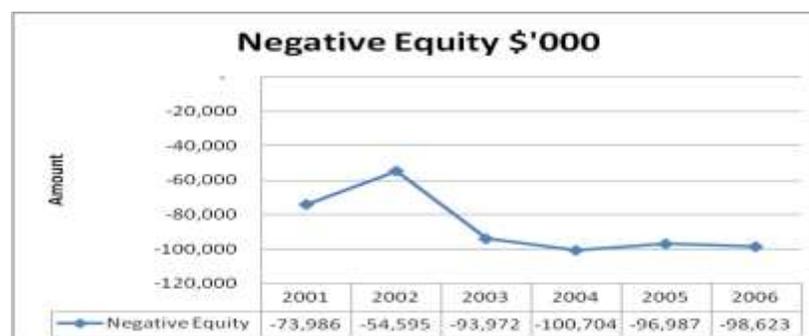
- 2.9 We found that the last audited financial statements for the AIJCFA were for financial year 2005/2006, which was laid before the House of Representatives in 2008. The AIJCFA’s failure to present current audited financial statements prevented the audit from conducting a proper assessment of the entity’s financial state of affairs.

³³ Marketing arm of AIJCFA and Sugar Manufacturers (50% ownership by each entity)

Part Three High Debt Burden Raises Doubts in the AIJCFA’s Ability to Continue as a Going Concern

- 3.1 We were advised by management that one month before our audit the computer system that contained the accounting records ‘crashed’ and the laptop containing accounting information was reported stolen. Consequently, our analysis was limited in scope because of inadequate accounting records.
- 3.2 We will not comment on the current state of affairs because of the absence of audited financial statements for the period 2007 to 2010. Therefore, our analysis of the financial statements was limited to the period 2001 to 2006. Unaudited financial statements were presented for the period 2007 to 2010.
- 3.3 Our analysis revealed that the entity had continuing net losses, negative equity⁴ (**Figure 1**) with total liabilities exceeding total assets and negative cash flows generated from operations. Continuation of the AIJCFA’s viability as going concern is hinged on management obtaining additional funding and implementing strategic measures to address the deficit.

Figure 1



- 3.4 The company has generated losses over the last 6 years. The AIJCFA’s commercial revenue covered its direct cost for the financial years 2001, 2005 and 2006 with resultant surplus from commercial activities of \$948,600, \$20.4M and \$14.7M respectively. However, the operational cost eroded profits. (**Figure 2 and 3**) We could not determine the main cost drivers due to the absence of the relevant financial data. The dismal financial position forced the AIJCFA to curb

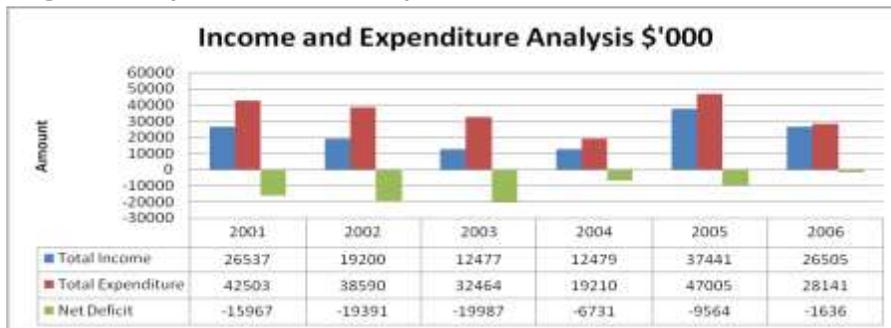
⁴ Surplus capital available for reinvestment in the Association

expenditure; such as, reducing the staff cost. Despite these measures the AIJCFA continue to experience unsustainable operational cost.

Figure 2: Deficit Trend Analysis

| | 2001 (\$) | 2002 (\$) | 2003 (\$) | 2004 (\$) | 2005 (\$) | 2006 (\$) |
|----------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue- Commercial | 19,626,797 | 12,158,431 | 6,528,341 | 5,024,415 | 30,847,478 | 22,379,311 |
| Direct Cost- Commercial | (18,678,197) | (15,148,827) | (13,283,223) | (7,309,946) | (10,443,635) | (7,702,935) |
| Surplus/(Deficit) | 948,600 | (2,990,396) | (6,754,882) | (2,285,531) | 20,403,843 | 14,676,376 |
| Operational Cost – Cess | (23,825,265) | (23,441,353) | (19,180,819) | (11,900,142) | (36,561,730) | 20,438,245 |
| Operational Deficit | (22,876,665) | (26,431,749) | (25,935,701) | (14,185,673) | (16,157,887) | (5,761,869) |
| Cess – Revenue | 6,909,913 | 7,041,198 | 5,949,120 | 7,454,521 | 6,593,461 | 4,126,138 |
| Overall Deficit | (15,966,752) | (19,390,551) | (19,986,581) | (6,731,152) | (9,564,426) | (1,635,731) |

Figure 3 Analysis of Income and Expenditure



3.5 The AIJCFA financial dilemma was compounded by negative cash flows from operation, which ranged from negative 2.2M to negative 18.8M over the six year period. **[Figure 4]** Over the six year period, the AIJCFA total debts exceeded its total assets from a low of \$54M to a high of \$111M. **(Figure 5)**

Figure 4 Cash Flow Analysis

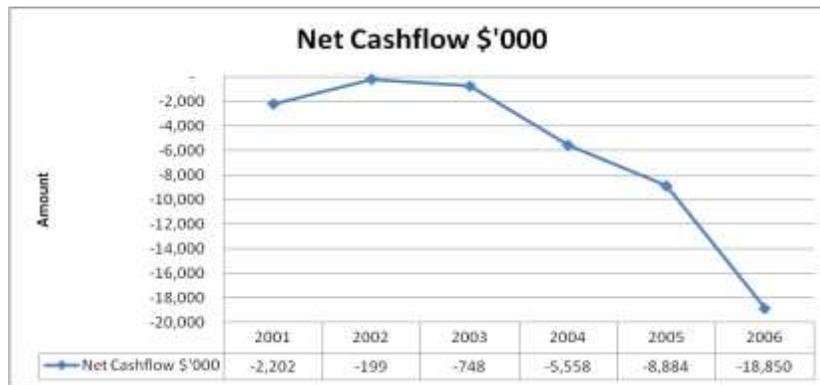
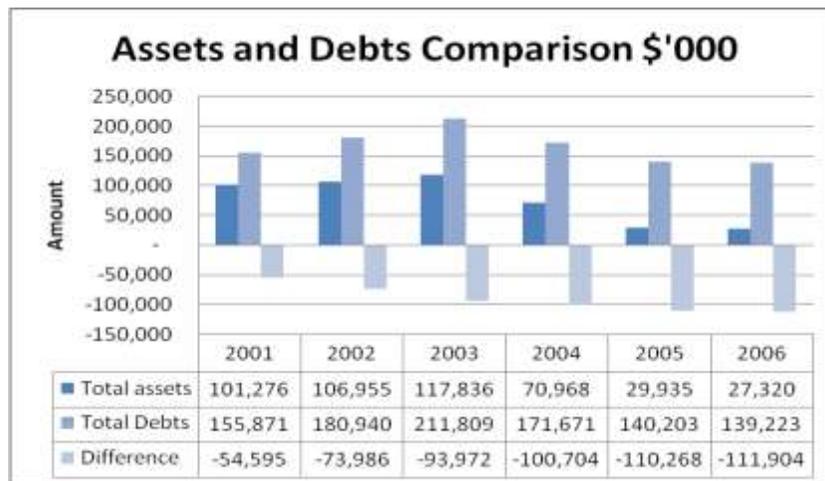


Figure 5 Comparison of Assets and Debts



3.6 AIJCFJA will require injection of capital and waivers (statutory liabilities) to prevent insolvency. The AIJCFJA Auditors’ Report, for the financial year ended September 2006, expressed concerns about the entity’s ability to continue as a going concern, having regard to its financial state of affairs.

Cane Farmers Retirement Benefit not Maximized due to AIJCFJA’s Failure to Remit Pension Contributions

3.7 The AIJCFJA reported that as at September 2010, it owed pension contributions totalling \$50.1M. This sum was paid to the AIJCFJA by JCPS, however, the AIJCFJA failed to remit this sum to the insurance company. It is our understanding that the AIJCFJA has utilized the money to offset its operational expenses.

4.1 Section 19(1) of the Act states:

“the Minister may by order impose upon all canes delivered by any cane farmer to any sugar manufacturer during the crop season thereby specified a cess at such rate as the Minister may approve on the recommendation of the Association.”

4.2 Section 20 of the Act requires:

“the sugar manufacturer to whom a cane farmer delivers canes shall deduct the amount of such cess from any sum payable by him to such cane farm and pay over such sum to the Sugar Industry Authority of Jamaica. The Sugar Industry Authority is authorised under Section 20(3) to pay over the amounts to the All-Island Jamaica Cane Farmers Association.”

AIJCFA does not have a System in Place to Readily Determine the Actual Cess Receivable

4.3 The Sugar manufactures remit the cess, withheld from amounts payable to the farmers, to the Jamaica Cane Products Sales Limited (JCPS). Further, they submit details of the tonnage of cane sold to the Sugar Industry Authority. There was no evidence that the AIJCFA took steps to obtain details relating to the tonnage, despite being provided with Cess Statements⁵ prepared by JCPS. Consequently, the AIJCFA at no point in time reconciled the cess received by JCPS with the related tonnage reported to SIA to determine the accuracy of the cess paid by the sugar manufacturers.

4.4 Section 20(3) of the Act provides:

“if any sugar manufacturer fail to deduct any monies payable by him to a cane farmer the cess imposed under this Act or having deduct such cess fails to pay it to the Sugar Industry Authority, the Sugar Industry Authority of Jamaica may recover such sum by action in the Resident Magistrate’s Court as if it were a debt owed by the sugar manufacturer to the Sugar Industry Authority.”

4.5 The AIJCFA took no steps, on behalf of the farmers to obtain independent confirmation of the cess withheld by the manufacturers. We examined the tonnage reported and the cess remitted

⁵ A schedule of amounts withheld from farmers less payments/advance made on behalf of the Association

over a two-year period from the seven factories. Our investigation revealed that a sugar factory short paid Cess amounting to \$1.2M & \$728,599 for crop years 2009-10 and 2008-09 respectively (**Figure 6**). Subsequent discussions with AIJCFA revealed that the Association was unaware of the short payments.

Figure 6 Short Payment of Cess by a Sugar Factor (2008-09 and 2009-10)

| Year | Cane (Tonnage) ⁶ | Rate (\$) | Cess Payable (\$) | Actual Cess Paid by factory (\$) | Difference |
|--------------|-----------------------------|-----------|---------------------|----------------------------------|---------------------|
| 2009/10 | 98,263.58 | 30 | 2,947,907.40 | 1,760,955.01 | 1,186,952.39 |
| 2008/09 | 62,826.40 | 30 | 1,884,792.00 | 1,156,192.26 | 728,599.74 |
| Total | 161,089.98 | 30 | 4,832,699.40 | 2,917,147.27 | 1,915,552.13 |

Improper use of Cess

- 4.6 In 1997, the JCPS acquired 13 motor vehicles for use by AIJCFA. Eleven of the 13 vehicles were subsequently sold to AIJCFA Officers at a cost totalling approximately \$8.1M. There was an understanding that the AIJCFA and its officers would repay the JCPS at an interest rate of 10.5 percent over a four-year period. Of the \$8.1M, we found that only \$17,098 could be verified as being recovered from staff members. Further, our review of the Cess Statements prepared and submitted by the JCPS revealed that it withheld an amount of \$4.5M from the cess payable to AIJCFA. This was done to offset the outstanding motor vehicle loan balance. We determined that JCPS' action was based on instructions from the AIJCFA to recover the outstanding amounts from the cess for both AIJCFA and the staff over seven years.
- 4.7 Examination of the Cess statements prepared by Jamaica Cane Products Sales Limited revealed that for the crop period 2007/2008 to 2009/2010 amounts totalling \$5,557,500.00 were deducted from the cess payable to the AIJCFA. Investigations disclosed that the AIJCFA obtained a loan of \$5.7M at an interest rate of 6% per annum from JCPS and the Agricultural Support Services and Productive Projects Fund Limited by agreement dated June 2007. The agreement states that the amount shall be repaid in 16 consecutive quarterly instalments of \$463,125. It also stated that the repayment should be the first charge on the Cess Income due and payable to the AIJCFA.
- 4.8 The AIJCFA disclosed that the loan was obtained and used to pay three creditors who had sent bailiffs to seized assets of the AIJCFA for amounts totalling \$5.7M for the following goods and services provided to the entity.
- Shipment of farming Products
 - Supplies of fertilisers
 - Repairs of farming equipment.

⁶ Information provided by the Sugar Industry Authority

The AIJCFA was however, unable to provide documents to substantiate the amount that was owed and paid to each creditor.

- 4.9 We found that during the period 2006-07 to 2009-10, the Jamaica Cane Products Sales Limited advanced the AIJCFA cess totalling \$24.4M at an interest rate of 12% per annum. The total interest payment for the same period was approximately \$1.5M. **(Figure 7)** The AIJCFA reported that the advances were used to meet recurrent expenses during the ‘*out of crop season*’. As at September 2010 the outstanding advance was \$5.2M.

Figure 7 Cess advance to the All Island Jamaica Cane Farmers association by the Jamaica Cane Products Sales

| Year | Cess Advanced to the AIJCFA by JCPS | 12% Interest on advanced Cess |
|--------------------|-------------------------------------|-------------------------------|
| As at September 10 | 12,888,256 | 346,459 |
| 2008-09 | 7,000,000 | 321,880 |
| 2007-08 | - | 361,586 |
| 2006-07 | 4,470,000 | 457,644 |
| Total | 24,358,256 | 1,487,569 |

Source: Information provided by Jamaica Cane Product Sales

- 4.10 We found that JCPS deducted amounts totalling approximately \$1.3M from cess payable to AIJCFA for payments for agricultural chemicals. Investigations disclosed that a cane farmer purchased chemicals valued at approximately \$2.6M from JCPS, which was stored at the AIJCFA’s stores. The AIJCFA in letter dated May 3, 2010 stated that the cane farmer only collected approximately \$1.3M worth of chemicals and the balance of approximately \$1.3M was sold by the AIJCFA, thus the AIJCFA assuming the debt payable to JCPS. AIJCFA was unable to provide documents to substantiate the sale of the chemicals and how the monies collected were accounted for. Evidence was also not produced to support the collection of the stated quantity of chemicals by the cane farmer.

Cash Sales Received could not be Accounted for

- 4.11 A comparison of the AIJCFA’s commercial sales receipts books and related bank statements for the period 2007-08 to 2009-10 disclosed a short lodgement of \$2.2M as only \$278,000 of the \$2.4M cash collected was reflected on the bank statements. **(Figure 8)**

Figure 8 Short-lodgement of cash receipts

| Period | Amount Collected (\$,000) | Amount Lodged (\$,000) | Difference (\$,000) |
|----------------|--------------------------------------|-----------------------------------|--------------------------------|
| 2007-08 | 112 | - | 112 |
| 2008-09 | 1938 | 278 | 1660 |
| 2009-10 | 393 | - | 393 |
| Total | 2,443 | 278 | 2,165 |

- 4.12 In addition, we could not determine whether cash sales receipts for the period January 2009 to April 2010 were duly accounted for as the related receipts book were not presented. Further, there were no unidentified lodgements seen on the bank statements for the related period.

- 5.1 We reviewed several financial transactions and operational activities at AIJCFA, and found that the entity did not design and implement systems to ensure accountability and transparency. The accounting and other duties were not adequately segregated and payments were not always authorized and approved. Further, the AIJCFA maintains a system of cash payment which limits adequate paper trail for transactions and increases AIJCFA exposure to risks. These represent a serious breakdown in internal control which could allow error, and misappropriation of assets to remain undetected for protracted periods.

- 5.2 As a result of the aforementioned management deficiencies, we were unable to verify the authenticity of payments totalling \$85.3M, for the period October 2007 to September 2010. The related supporting invoices and requisite information were not presented despite requested. Additionally, the AIJCFA provides unsecured and interest free loans and other non-salary related monetary benefits to staff members without any formal policy guidelines to govern such payments. **(Figure 9)**

- 5.3 We found no evidence to indicate that statutory deductions totalling \$7.4M deducted from employee’s salary for the period January 2008 to September 2010 was remitted to the relevant authorities. **(Figure 10)** We also found that at date of audit a supplier has taken legal action against the AIJCFA to recover \$16.8M for fertilizer delivered to the entity in December 2008.

Figure 9 Unauthorized Payments made Committee Members and Employees

| Period | Amount (\$) | Nature of Payment | Remarks |
|--------------------------------|-------------|---|--|
| October 2007 to September 2010 | 1,790,000 | Unsecured and interest free loans made to 14 employees and members of the Management Committee. | Loan policy, loan agreements and the Management Committee’s approval were not presented |
| March 2008 to August 2010 | 686,000 | Payment in lieu of vacation leave to a Senior Officer | Payment vouchers and supporting documents were not presented; leave records were not maintained. |
| October 2007 | 61,414 | Insurance for private motor vehicles to a Senior Officer and a Committee Member | Policy supporting payment was not seen; benefit not included in emolument packages. |

| Period | Amount (\$) | Nature of Payment | Remarks |
|--------------------------------|-------------|---|--|
| August 2009 to August 2010 | 664,000 | School assistance paid to two senior officers and a Committee Member | Authority and policy supporting payments were not presented |
| February 2010 | 85,000 | Entertainment allowances paid to two senior officers and a Committee Member | Authority for payments was not presented |
| December 2007 | 350,000 | Christmas bonus to employees | Authority for payments was not presented |
| October 2007 to September 2010 | 1,000,000 | Private utilities (electricity, water, telephone) paid on behalf of four senior officers and a Committee Member | Authority for payments was not presented; benefits not included in emolument packages. |
| October 2007 to September 2010 | 1,200,000 | Tax free rental allowance paid to a Senior Officer | Authority for payment was not presented |
| October 2007 to September 2010 | 317,000 | Payments to 'Relief Staff' | Related employment contract and personnel file were not presented |
| | | | |

Figure 10 Outstanding Statutory Deductions Summary

| | Jan - Oct 2010 (\$) | Jan - Dec 2009 (\$) | Jan - Dec 2008 (\$) | Totals (\$) |
|----------------|------------------------|------------------------|------------------------|---------------------|
| NIS | 166,549.10 | 220,371.38 | 121,862.41 | 508,782.89 |
| Ed. Tax | 304,556.90 | 270,956.00 | 163,861.75 | 739,374.65 |
| NHT | 195,612.10 | 250,920.42 | 166,205.73 | 612,738.25 |
| PAYE | 1,924,008.77 | 2,271,790.26 | 1,369,866.89 | 5,565,665.92 |
| Totals | 2,590,726.87 | 3,014,038.06 | 1,821,796.78 | 7,426,561.71 |