

2010



AUDITOR GENERAL'S DEPARTMENT | REPORT 2010

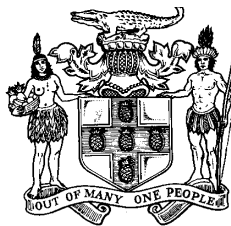
REPORT ON THE  
APPROPRIATION AND  
OTHER ACCOUNTS OF  
JAMAICA FOR THE  
FINANCIAL YEAR ENDED  
31ST MARCH 2010

Accountability

Transparency

Efficiency

Integrity



ANY REPLY OR SUBSEQUENT REFERENCE  
TO THIS COMMUNICATION SHOULD BE  
ADDRESSED TO THE AUDITOR GENERAL  
AND NOT TO ANY OFFICER BY NAME  
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C126

December 24, 2010

The Honourable Speaker  
House of Representatives  
Gordon House  
81 Duke Street  
Kingston  
Jamaica

Dear Sir,

Pursuant to the provision of Section 122(2) of the Jamaica Constitution, I have the honour to submit my report on the results of the examination of the accounts of the Island for the year ended 31<sup>st</sup> March 2010 for tabling on the House of Representatives.

Yours faithfully,

Pamela Monroe Ellis (Mrs.)  
Auditor General

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## **ABBREVIATIONS AND ACRONYMS**

<b>ACCA</b>	Association of Certified Chartered Accountants
<b>AcGD</b>	Accountant General's Department
<b>AGD</b>	Auditor General's Department
<b>MDA</b>	Ministry Department and Agencies
<b>CIDA</b>	Canadian International Development Agency
<b>CISA</b>	Certified Information Systems Auditor
<b>FAA</b>	Financial Administration and Audit Act
<b>GOJ</b>	Government of Jamaica
<b>IADB</b>	Inter-American Development Bank
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>INTOSAI</b>	International Organisation of Supreme Audit Institutions
<b>NCC</b>	National Contracts Commission
<b>NHF</b>	National Health Fund
<b>NHT</b>	National Housing Trust
<b>PAC</b>	Public Accounts Committee
<b>PBMA</b>	Public Bodies Management and Accountability Act
<b>QAR</b>	Quality Assurance Review
<b>RHPPP</b>	Revised Handbook of Public Sector Procurement Procedures
<b>MOJ</b>	Ministry of Justice
<b>JIS</b>	Jamaica Information Service
<b>IRD</b>	Inland Revenue Department
<b>PTS</b>	Property Tax System
<b>ICTAS</b>	Integrated Computerized Tax Administration System
<b>INCRS</b>	Integrated New Cash Remittance System
<b>FSL</b>	Fiscal Services Limited
<b>DSL</b>	Driver's Licence System
<b>PPV</b>	Public Passenger Vehicle
<b>CDF</b>	Constituency Development Fund
<b>CDFMU</b>	Constituency Development Fund Monitoring Unit
<b>NEMP</b>	North Eastern Parks and Markets
<b>CPTC</b>	Creative Production and Training Centre

<b>MOFPS</b>	Ministry of Finance and the Public Sector
<b>NMVR</b>	National Motor Vehicle Registry
<b>MOFAFT</b>	Ministry of Foreign Affairs and Foreign Trade
<b>AMVS</b>	Automated Motor Vehicle System
<b>WATS</b>	Waivers Appeal Tracking System
<b>CSJP</b>	Citizen Security and Justice Programme
<b>RMC</b>	Resident Magistrates' Court
<b>NCC</b>	National Contracts Commission

## VISION STATEMENT

Our vision is aimed at: **“Promoting a better country through effective audit scrutiny of Government operations.”**

## MISSION STATEMENT

Our Mission is to:

- Promote transparency, accountability, and best practices in Government operations;
- Conduct independent audits and make reports to improve the use of public resources;
- Conduct independent audits of a consistently high quality in accordance with acceptable, professional, auditing, accounting and ethical standards, and issue appropriate reports;
- Ensure that public sector financial transactions and other operations comply with the wishes of Parliament, relevant laws and regulations, and are conducted with due regard to economy, efficiency, effectiveness, the environment and the avoidance of fraud;
- To recruit, develop and maintain qualified, competent staff.

# Part 1

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## INTRODUCTION

R E P O R T  
O F T H E  
A U D I T O R G E N E R A L  
O N T H E  
F I N A N C I A L T R A N S A C T I O N S , A C C O U N T I N G R E C O R D S  
A N D F I N A N C I A L S T A T E M E N T S O F T H E  
G O V E R N M E N T O F J A M A I C A  
D E C E M B E R 2 0 1 0

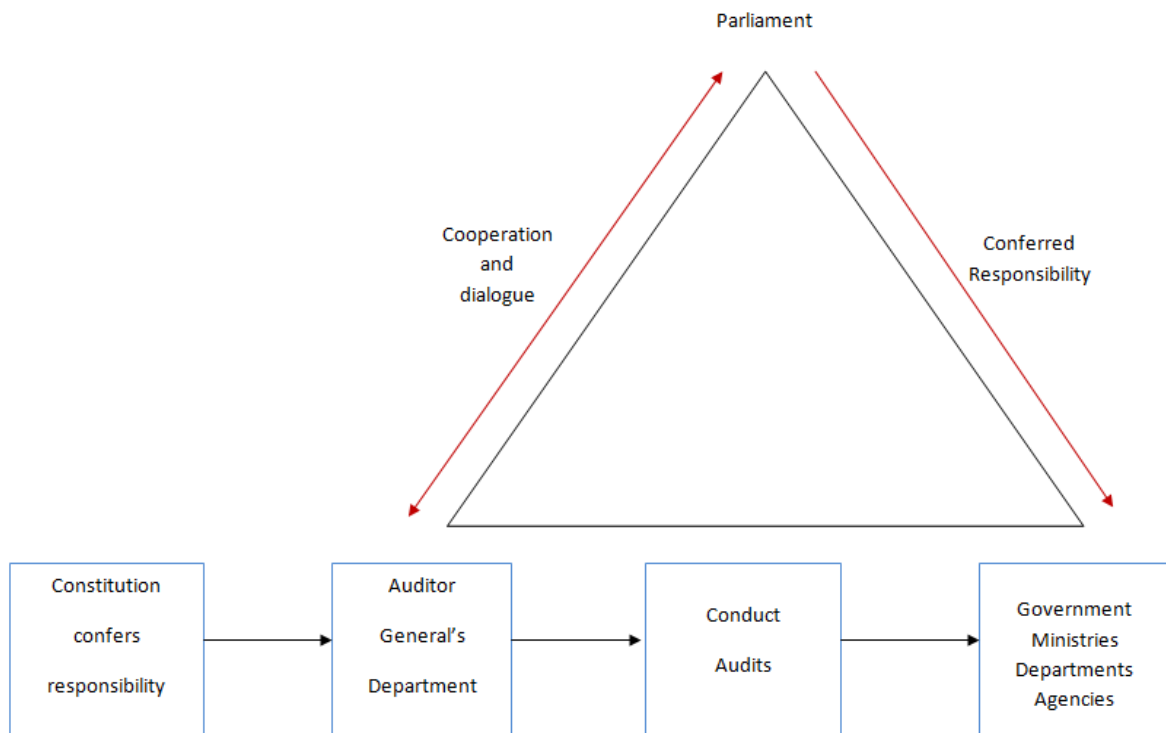
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- 1.1 The Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. It contains the findings arising from my audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year ended 31st March, 2010. Reference is also made to the accounts and transactions of subsequent or previous financial years, as well as the accounts of Local Government agencies and other statutory bodies and government companies where considered necessary for the information of Parliament.
- 1.2 Examination of the accounts and financial transactions of the Government is conducted in conformity with Section 122 of the Constitution and Section 25 of the Financial Administration and Audit Act. Section 25(1) of the Act states as follows: The Auditor General shall, in performing his functions under Section 122(1) of the Constitution ascertain whether in his opinion the accounts referred to in that section are being faithfully and properly kept; the rules and procedures framed and applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenues and other receipts of the Government; All money expended and charged to an Appropriation Account has been applied to the purpose for which the provision made by Parliament was intended and that any payment of public money conforms to the authority which governs it, and has been incurred with due regard to the avoidance of waste and extravagance.

**Public Accounts Committee**

- 1.3 The Public Accounts Committee of the House of Representatives is a standing bi-partisan committee chaired by the opposition spokesman on Finance. Under the standing orders of the House all accounts of government agencies and annual reports of the Auditor General tabled in the House are automatically referred to the Committee. In examining the reports of the Auditor General, the Committee calls upon Accounting Officers, other heads of agencies and their support staff to explain their stewardship of the public affairs and resources assigned to them. It seeks to identify the causes for weaknesses mentioned in the Auditor General's reports, obtain information on what is being done to rectify the situation, and makes its own recommendations as to the corrective measures which should be pursued.
- 1.4 The Committee therefore plays a critical role in helping to ensure that appropriate action is taken on the findings of the Auditor General. During the period February 2010 to December 2010 the Committee examined the Auditor General's Annual Report for the financial year 2008/2009, the Performance Audit Report on the Administration of Stamps and Properties by the Post and Telecommunications Department, Special Audit Report on the Petroleum Corporation of Jamaica and the Road Maintenance Fund.

## The Reporting Procedure



## Summary of Performance Targets and Actual Outcomes

- 2.1 Our Corporate Plan for 2008-12 reflects the Vision and Mission of the Department which in turn mirrors aspects of the Government of Jamaica's 2030 Vision to ensure that our endeavours contribute to the established National Objectives to ensure:
1. A society empowered to achieve its fullest potential;
  2. A safe, cohesive, orderly and just society;
  3. A prosperous economy; and
  4. Development in harmony with the national environment.
- 2.1.1 The operational plan for 2010 is a blue print of the strategic planning, implementation and review process for the financial year 2010-2011. A more detailed aspect of the plan links individual targets and performance with the corporate plan. The summary of the plan is outlined in this section.

## Accountability and Professional Standards

- 2.2 **Our aim is to conduct our audits competently and impartially with due regard to the application of acceptable professional auditing, accounting and ethical standards by:**
- 2.2.1 Conducting audits at least once per year, of the accounts, financial transactions, operations and financial statements of central government's ministries and departments, selected statutory bodies and government companies.
- 2.2.2 The International Organisation of Supreme Audit Institutions (INTOSAI) at its tri-annual congress held November 2010 formally adopted a complete set of auditing guidelines which are applicable to financial, performance, compliance, and environmental audits. We have begun the process of reviewing our audit procedures to ensure conformity with INTOSAI.

- 2.2.3 During the financial period the Department officially adopted and implemented the modified quality assurance guidelines for financial audits as recommended by INTOSAI.

### Standard Audits

- 2.3 These are mainly compliance audits conducted at least once per year in accordance with auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI). They are conducted to determine whether the ministries, departments and agencies comply with the relevant Acts and Regulations that govern their operations and the guidelines issued by the Ministry of Finance and the Public Service.

Audits Conducted	2009		2010	
	Planned	Actual	Planned	Actual
Ministries	14	14	15	14
Departments	36	36	35	29
Executive Agencies	09	09	11	11
Statutory Bodies	59	56	57	50
Parish Councils and Municipalities	10	10	08	06
Others – Educational Institutions, Funds, Commissions, Foreign Missions	08	08	04	04
<b>Total</b>	<b>136</b>	<b>133</b>	<b>130</b>	<b>114</b>

Figure 1 Number of Entities Audited

- 2.3.1 The variations of performance between the years are threefold. We adopted the Risk Based Audit Methodology, thus, the learning curve negatively affected our operations. This was compounded by a sharp increase in staff turnover due to the retirement of several key management personnel. This gave rise to subsequent redeployment of various members of staff which again, contributed to the negative effect of the learning curve.



### Financial Statement Audits

- 2.4 In January 2010 the AGD created a Financial Statements Audit Unit to bolster its quality assurance framework in financial audits. To be fully compliant with international best practice requires segregation of duties between auditors conducting audit inspections and examination of financial statements. The following are the intended advantages that will accrue from this arrangement:
- Substantial increase in the number of financial statements audits carried out.
  - Faster turnaround time in certifying the accounts.
  - The provision of audited financial information to the management of the entities and the public thereby contributing to the making of informed decisions in a timely manner.
- 2.4.1 The auditor reviews the financial statements and internal controls relevant to the statements with the objective of expressing an opinion as to whether the financial statements are prepared in all material respects in accordance with an applicable financial reporting framework. The Auditor General is required by section 28 of the Financial Administration and Audit Act to examine and certify the statements and accounts which are required to be submitted in accordance with the Act. These audits are conducted in accordance with the International Standards on Auditing (ISA).
- 2.4.2 Since this year we have levied our clients to pay fees to cover a portion of the cost of the audits. This brings greater responsibility on us to become more efficient in conducting the audits. The aim is to increase the cadre of staff in this unit and to ensure that the performance standards are enhanced by rigorous and constant training and strict adherence to professional standards.

Statements	Number Received	Certified	Returned	Work in Progress
Appropriation Accounts of Ministries and Departments	108	24	0	84
Public Bodies	34	25	07	02
Parish Councils	6	5	0	1
Executive Agencies	9	04	4	1
Others as required by law Accountant General's Department	8	1	7	0

Figure 2 Number of Statements Audited and Status

### Special Audits and Investigations

- 2.5 The objectives of these audits are to assess the extent to which sound management practices are used to achieve the intended objectives of the entities and at the same time conforming to the relevant laws and guidelines.

### Special investigations

- 2.6 These are investigations requested by the Office of the Cabinet, Minister of Finance and the Public Service and the Public Accounts Committee. It is difficult to plan for these audits, as often, the requests are made as the need arises and can be made at any time during the audit year. This audit year four (4) such requests were received, two were completed and the reports tabled in Parliament; two are in progress. The investigations are often of a sensitive nature covering a range of management issues such as corporate governance, conflict of interest and improprieties by management.

### Internationally Funded Projects

- 2.7 Projects that are funded by international donor agencies are audited both in accordance with our own mandate and in response to requests made by donor agencies such as the International Bank for Reconstruction and Development (IBRD) and the Inter-American Development Bank (IDB). In addition to the guidelines of the Government of Jamaica, the entities are expected to adhere to

standards set by donor agencies. Therefore, our audits also determine whether those guidelines were being adhered to.

### Information Technology Audits

- 2.8 These audits are planned to collect and evaluate evidence on an organization's information systems, practices, and operations. They are intended to determine if the information systems are safeguarding assets, maintaining data integrity, and are efficient and effective management tools to achieve the organization's goals or objectives.
- 2.8.1 The audits are intended to determine whether adequate controls existed and were operating effectively and efficiently to achieve the organization's objectives. While our plan was to conduct four (4) information technology systems audits; three were actually completed. One (1) was abandoned because it was considered low risk and therefore the audit would not add much value. The audits conducted however, were those of significant public interest, the Driver's Licence, TRN and Tax On-line systems.

### Performance Audits

- 2.9 These are conducted with the aim of determining whether the objectives of the selected project or unit were achieved in an economical, efficient and effective manner. The Performance Audits will also contribute to the overall goals of the country planners to identify results and eliminate waste. The audits are selected based on the materiality of the amounts stated in the budget and the significance of the subject to the Parliament and taxpayers, our main clients. In an effort to strengthen the capabilities of the AGD in the conduct of VFM audits, the Government of Jamaica through the Office of the Cabinet contracted with the UK National Audit Office (NAO) to develop a framework to operationalize VFM audits within the Department. The general objective of the consultancy is to build on work done under PSMP that undertook needs assessment and develop standard procedures and methodologies for VFM audit at the AGD. The specific objectives will see the development of a framework for audit reports with procedures manual and the provision of hands-on/practical training in the execution of two VFM audits which should be completed by the end of the consultancy.

Audits Conducted	2009		2010	
	Planned	Actual	Planned	Actual
Special Investigations	00	02	00	04
Internationally Funded Projects	07	07	06	05 <sup>1</sup>
Performance or Value for Money Audits	04	03	05	05
Information Technology	04	04	04	03

Figure 3 Number of Special Audits Conducted

Audits Conducted	
Planned	Actual
Management of Prescription Drugs	Completed
National Environment and Planning Agency	Completed
Management of HIV/AIDS	WIP
Debt Management	WIP
Benefits Fraud	WIP

Figure 4 Special Audits Conducted \*WIP –Work In Progress

<sup>1</sup> The Education Transformation Capacity Building Project did not commence as scheduled.

### Institutional and Capacity Building

**2.10 We intend to develop and implement a sustained professional and technical development programme aimed at ensuring that all staff is sufficiently competent to realise the strategic objectives of the department in keeping with Government's 2030 Vision.**

2.10.1 The professional bodies to which many of our auditors are either members or trainees, such as, the Association of Certified Chartered Accountants (ACCA) and Certified Information Systems Auditor (CISA) require continued professional development of their members. The Department is an Accredited Employer by the ACCA, implicit in that is a programme for training and development of at least its members, and to that, we are committed.

2.10.2 We plan to conduct training courses and obtain other external training. We are committed to making an investment in our employees in the form of continued training and development to enhance the credibility of this Department. we aim at fostering the opportunity for continuous learning and professional development, not only in accounting but in a wide variety of disciplines and to ensure that the Organisation is staffed with competent personnel.

At December 2010, we have been able to achieve the following:

Operational Strategies	2009/10		2010/11	
	Planned	Actual	Planned	Actual
Induction Courses (internal)	1	1	01	01
Information technology (internal)			1-15 <sup>2</sup> persons	O/s
Information Technology (external)	3	1	None	
Auditing Techniques (external)	4	1	1-1 person	1-1 person
Financial Statement Audit			1-10 persons	1-25 persons
Risk-based planning (External)			2-32 persons	1-25 persons
Risk-based Approach to Financial Audits	None		1-2 persons	1-2 persons
Environmental Audit (external)			None	1-1 person
Report Writing (external)	None		1-22 persons	2- 50 persons
Financial Management Information System (FINMAN) for Accountants			1-20 persons	1-5persons
<u>Management/Supervisors</u>				
Internal	1		None	
External	4	1	1-2 persons	O/s
Government Accounting	None		1 person	1 person
Introduction to GoJ Procurement			None	3 persons
Secretarial Courses			2 persons	1 person
Training for Telephone Operators			4 persons	1 person
Training Trainers	0	1	None	N/A
Develop Instructor's Manual	50%	70%	30%	10%

Figure 5 Report on Training

1. Refers to the number of courses
2. Refers to the number of participants

2.10.3 It is expected that the outstanding training courses (O/s) will be accomplished by March 2011, the end of the financial year.

**Benefits of Training:**

- We recognise that trained employees are likely to apply information, think more critically and act more logically. They are better able to adapt to a changing environment and to work across job functions.
- Increased job satisfaction – training tends to motivate employees as they are more equipped with the necessary skills to perform their jobs competently. A motivated employee is likely to remain on the job.
- Transfer of organisational knowledge – In-house training is one way of tapping the tacit knowledge of more experienced employees. Our aim is to train such experienced employees to transfer their knowledge to others.

**2.10.4 Conduct research and obtain external training material for the under-mentioned subject areas. The information will be disseminated to senior officers at Senior Management Meetings and to other levels of staff through training courses and coaching.**

- To accomplish the Department's objectives effectively and ensure sustainability, it is imperative that staff is kept abreast of new developments through research and collaboration with external entities such as the Association of Chartered Certified Accountants (ACCA), Institute of Chartered Accountants of Jamaica (ICAJ), Institute of Internal Auditors (IIA) and other Supreme Audit Institutions.
- Every member of staff who benefits by attendance at seminars and workshops is required to transfer the knowledge gained by making presentations at a monthly Management Meeting. The information is recorded in the minutes of those meetings, which each member of staff is required to sign as an indication that he/she has read. The section leader is required to discuss these issues with junior staff to ensure that the information is understood.

Operational Strategies	2009/10		2010/11	
	Planned	Actual	Planned	Actual
<b><u>Attend ACCA/ ICAJ Seminars-</u></b>				
Forensic Accounting and Fraud Prevention			2 person days	6 person days
Managing Results in Supreme Audit Institutions- Seminar in Chile			0	1 person/2 days
Information Technology- Research and present on Information Systems Audit and Control Standards (ISACA)			At least 2	O/s
Operational Audit-INTOSAI Standards			At least 2	O/s
Financial Audit – (IFAC; ISA's; IAS)			At least 2	5 done
Performance Audit Standards			At least 2	O/s
Quality Assurance Standards			At least 2	1 done

Figure 6 Professional Development

**O/S** -Outstanding

2.10.5 All outstanding areas (O/s) are expected to be accomplished by March 2011, the end of the financial year.

### Improve Technological Capabilities

**2.11 We aim to install an Information Systems platform that supports both the administrative and technical needs of the Department.**

2.11.1 We continue to experience challenges with making our Intranet available to all out-station staff. The work of the Department was also hampered by the lack of adequate technological tools. However, approval was granted by the Ministry of Finance to enable us to use moneys earned from the audits of financial statements, as Appropriations-in-Aid, to procure well needed hardware, software and training.

2.11.2 Transactions are predominantly initiated and processed using information technology. Consequently, to effectively audit such transactions, the auditor



should be equipped with the necessary tools and technical knowledge; this guides the third strategic goal.

2.11.3 We plan to continue to enhance the network systems, keep abreast with developments in information technology and automate the audit processes to improve efficiency in the following areas:

- Execution of the audit
- Preparation and reviews of working papers

#### Role Model for CARICOM and Government

2.12 **We aim to organise and govern the department in ways that promote the economical, efficient and effective work practices, effective governance practices, whilst promoting transparency, objectivity and fairness in Government's operations.**

#### Succession Planning

2.12.1 One of the most important aspects of human resource development is ensuring that there is management succession. We intend to implement a formal development policy including succession planning.

#### Enhance the work environment to ensure a motivated and productive workforce

2.12.2 Having the necessary tools at the workplace, is one of the most important factors to achieve an efficient workforce. There have been complaints in certain outstations about the conditions under which the officers are required to work. Having taken steps to improve the facilities at Head Office we intend to focus on making recommendations to Accounting Officers of those Ministries/Departments for the improvement of the physical facilities in which our officers spend the greater part of their day.

#### Increase staff complements

2.12.3 The human resource constraint places a limitation on the scope of our audit and increases the audit risk of non-detection of errors and irregularities. In this regard the AGD requested additional staff to function in the Financial Statement, Performance Audit, IT Audit and Special Investigations units and to respond to specific request of stakeholders; especially Government and international agencies. . Accordingly, the Ministry of Finance approved the request for sixteen additional middle management posts. The additional posts will be phased in over a three year period and, at the same time; we agreed to

give up six audit clerk posts. However, because of the remuneration attached to these posts we were challenged to attract qualified staff.

#### Develop the capacity of support staff

2.12.4 We plan to provide the necessary tools for the Human Resources, Administration and Accounts Units to improve efficiency. It is recognised that these Units form the hub around which the Department operates and that without them, this organisation would not be able to accomplish its core functions. Hence to achieve our goals, we intend to do the following:

- ensure that officers receive training in current trends in the management of human resources accounting and administration;
- automation of key activities to improve efficiency;
- automate the accounting system and provide training for the administrative staff; and
- automate the key processes and link the Human Resources and the Accounts units.

Operational Strategies	2009/10		2010/11	
	Planned	Actual	Planned	Actual
Commence preparation of HR Manual	50%	25%	50%	00%
Automate payroll system	Awaiting Budget	-----	100%	70%

Figure 7 Improvement in Administrative Support

# Part 3

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## SUMMARY OF MAJOR FINDINGS

### Scope of the Audit

- 3.1 The audits of most ministries, departments, executive agencies and public bodies for the 2009/2010 financial year consisted of examinations, inquiries and investigations to enable assessment of the adequacy of the systems of internal control over the major areas of revenue and expenditure, and obtaining the information and explanations considered necessary for certifying the accounts and financial statements submitted. Additional audit emphasis was applied to those areas of governmental activity where the internal control was weak, others which had been prone to problems in the past, new programmes and areas of general public interest. Follow-up work was also done to ascertain what action had been taken on previous audit observations and recommendations.
- 3.1.1 Several programmes and projects were selected for special audits aimed at assessing if adequate planning had been done, proper management control systems instituted and whether the programmes and projects were achieving their intended objectives. A number of computer systems were also audited to determine whether they were proving to be effective management tools. In all instances a risk based audit methodology was applied. The overriding intent of the audits was to contribute to improvement in the management of the public sector and to prompt savings for the taxpayers.

### Contents of this Report

- 3.2 This report summarizes the more important observations arising from the various audits conducted for the period under review. More detailed comments on the points mentioned, as well as recommendations as to the corrective measures considered necessary, were communicated to Accounting Officers, Principal Receivers of Revenue and other heads of agencies by way of audit queries, reports and other memoranda. Where appropriate the comments and reactions of those officers to my findings and recommendations are indicated.
- 3.2.1 In a number of instances, mention is also made in this report of the findings of internal auditors. The heads of government agencies were supplied with a draft

of the points I intended to make in this report on their portfolios and given an opportunity to comment thereon.

- 3.2.2 In keeping with the statutory responsibilities mentioned at paragraph 1.2 above, the Auditor General is duty bound to bring to the attention of Parliament important instances in which the requirements of the Constitution, Financial Administration and Audit Act, other Acts of Parliament, the Financial Regulations and Instructions, as well as good financial, accounting and management practices have not been observed. The report therefore tends to emphasize the shortcomings and unsatisfactory features disclosed by the audits.
- 3.2.3 A summary of the major findings of the audits conducted for the period under review is provided at paragraph 3.3 to 3.14.2

### **Generally Satisfactory Audit Findings**

- 3.3 The audits for the period under review, disclosed that the financial affairs of some ministries, departments and other Government entities were conducted in a generally satisfactory manner with only minor breaches of the Government's financial and accounting rules observed.

### **Improper Payments/ Nugatory Expenditure**

- 3.4 The audits identified a number of instances involving 9 entities where payments amounting to JA\$26 M, and CAD\$25,185 [Appendix E] were made in breach of the stipulated rules and guidelines or without the requisite approval.
- 3.4.1. Two agencies also incurred expenditure of JA\$913,315 and US\$13,000 respectively [Appendix F], for which no benefit was derived by the Government.

### **Losses, Irregularities and Unverified Transactions**

- 3.5 The audits at 8 entities disclosed instances in which vouchers and supporting invoices were not presented for examination in respect of expenditure totalling JA\$34.3M and US\$740 [Appendix G ]. I was therefore unable to verify their authenticity.
- 3.5.1 Five (5) entities also reported losses and irregularities involving approximately JA\$31M [Appendix I]. Some of these cases of losses and irregularities were not reported to the Auditor General and the Financial Secretary as required by FAA Act Instructions 6.44.

**Amounts Owed To the Government**

- 3.6 Throughout this report, disclosure is made of overpayments, receivables and non-remittance of statutory deductions identified during the conduct of the audits. The amounts identified totalled approximately JA\$10.5BM [Appendix J].

**Amounts Owed By the Government**

- 3.7 The audits identified that amounts totalling approximately JA\$1.18B [Appendix K] was owed by six (6) entities to suppliers of goods and services as at March 31, 2010. Of this amount, approximately JA\$230.5M was outstanding for more than 90 days. This figure does not include the Public Debt.
- 3.7.1 Section 36(1) of the Financial Administration and Audit Act Regulations states – “Accounting officers shall settle payments by their departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the monthly warrant issued for the purpose, within a period of thirty days of their receipt.” The entities were advised of the breach and informed to take steps to ensure future compliance with the Regulation.

**Advances**

- 3.8 The Financial Administration and Audit Act, Instructions 5.39(3) and 5.42 stipulate that advances made from public moneys for travelling and subsistence expenses should be accounted for immediately on return. Good financial practices should ensure the prompt recovery or clearing of advances made for goods and services, on delivery of the goods and for the satisfactory completion of such services. Additionally, salaries paid in advance to officers proceeding on vacation leave should be recovered on the first pay day following the salary-in-advance disbursement.
- 3.8.1 Failure to account for advances within the stipulated time frame will misrepresent actual expenditure for that period and create uncertainty as to whether funds were used for the intended purposes.
- 3.8.2 The audits identified outstanding advances totalling JA\$21.8M, US\$36,962, and TT\$15,520.14 [Appendix L], made to meet travelling and subsistence expenses and for the procurement of goods and services. The relevant agencies were advised to take the necessary measures to have the balances cleared.

**Internal Control weaknesses**

- 3.9 Internal Controls are designed to provide reasonable assurance that Government's policy directives are enforced and that its general objectives are being achieved. The Minister of Finance is charged with the responsibility of issuing policy guidelines to regulate the day to day activities of the Government.
- 3.9.1 Accounting officers of ministries, departments and agencies are charged with the responsibility of ensuring that all policy directives, as well as the provisions of the relevant Laws, are observed; guidelines issued by the Ministry of Finance are implemented and an effective system of internal control exists.
- 3.9.2 Internal control incorporates all systems of control instituted to ensure that an organization achieves its objectives in an economical and efficient manner; that it is provided with prompt and reliable accounts and other relevant information; its assets are properly safeguarded and the necessary checks and balances exist to prevent and detect errors and fraud. Management's demonstration of commitment to the system of internal control is critical in fostering a supportive and positive attitude towards internal control by public servants.
- 3.9.3 Failure by several entities to comply with the Government's financial rules continued to result in inadequate control over stores, furniture and equipment, the custody of blank cheques, the preparation and payment of salaries and the purchase of petrol, thus undermining the objective of safeguarding Government's resources.
- 3.9.4 There were 7 instances where entities failed to properly account for assets costing approximately JA\$27M [Appendix H]. In addition, there were 7 instances where entities failed to properly account for the purchase of petrol costing approximately JA\$5.9M.
- 3.9.5 The audits have also identified serious arrears in the reconciliation of several bank accounts. A total of 36 months arrears across at least 5 entities were identified. This has created an environment which facilitates the concealment of errors and fraud.

**Breaches of Procurement Guidelines**

- 3.10 The audits identified breaches of the Government's prescribed rules for the procurement of goods and services costing approximately JA\$398.8M and US\$123,200 [Appendix M ] involving 19 entities. These included failure to obtain the required recommendation of the National Contracts Commission for

contracts of \$10M and over as well as to invite the required competitive price quotations before awarding contracts for less than \$10M. I was therefore often unable to determine how those organizations satisfied themselves that the prices paid were fair and reasonable.

#### **Project Over-Run**

- 3.11 Improper planning and monitoring resulted in cost and time overruns of JA\$24.1M and US\$270,270 involving 7 projects in 6 entities and 102 months involving 3 projects in 3 entities. Up to the date of this report, only 3 of the projects had received approval for variation from the relevant authorities.

#### **Interest and Overdraft Charges**

- 3.12 Five entities incurred bank overdraft charges and additional interest payments amounting to approximately JA\$16.5M due to a lack of prudent cash-flow management. This has resulted in increased un-budgeted expenditure for the Government.

#### **Tax Assessment and Collection**

- 3.13 A review of 400 taxpayer files for General Consumption Tax and Income Tax together, disclosed assessments made, of tax collectible, totalling approximately \$1.36B. However the audit identified that only amounts totalling approximately \$237.8M were collected by the respective agencies.

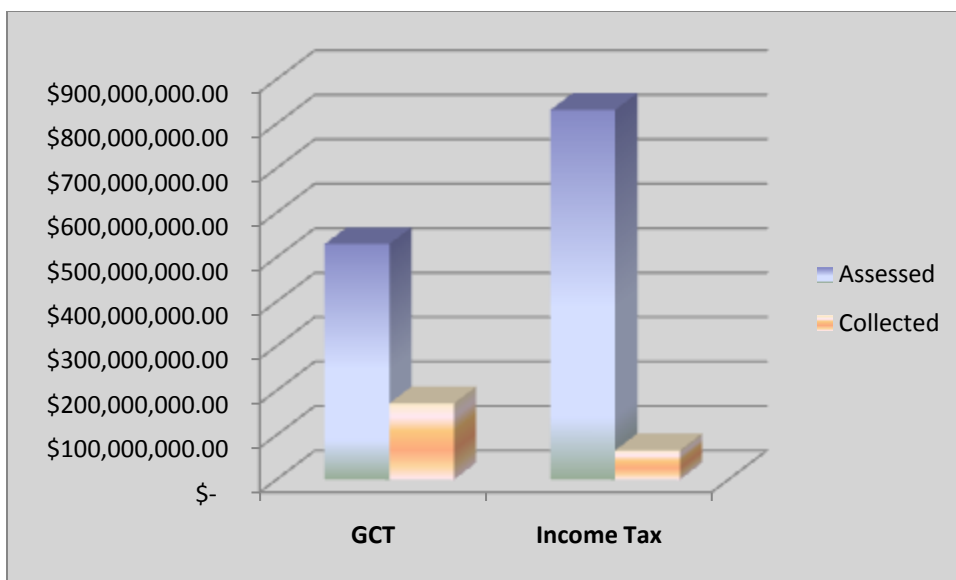


Figure 8 Tax Assessment and Collection for 2009/2010

	Assessed	Collected
GCT	\$ 530,000,000.00	\$ 171,600,000.00
Income Tax	\$ 832,000,000.00	\$ 66,200,000.00

### Arrears of Annual Financial Statements

3.14 Government entities are required under relevant Acts of Parliament to submit for audit annual financial statements within four months after the end of each financial year. Many of the Ministries, Departments and Agencies (MDAs) were in varying degrees of arrears, as depicted at appendix A-C of this report. However, there was marked improvement in the MDA's submission of the Appropriation Account, financial statements and receipts and payments statements when compared to previous years.

3.14.1 In the case of Ministries and Departments, which should submit Appropriation Accounts, up to December 17, 2010, we had not received 25 accounts for 2009/2010, 13 for 2008/2009, 10 for 2007/2008, 4 for 2006/2007 and 1 for 2005/2006. A schedule of the outstanding appropriation accounts is shown at [Appendix A] of this report.

3.14.2 Some statutory bodies were also in arrears with the submission of their financial statements, including receipts and payments statements. Details of outstanding financial statements are shown at appendices B and C to this report. Delay in the submission of the annual financial statements undermined the public accountability process; prevented a proper assessment of the entities financial performance and their state of affairs, and increased the risk of delayed or non-detection of errors and fraud.



**Information Technology Audits**

- 3.15 I conducted reviews of four (4) information technology systems to determine whether adequate controls existed and were operating effectively and efficiently to achieve the organization's objectives. The summarized reports of these audits are outlined in paragraphs 6.1 to 6.15

**Performance Audit**

- 3.16 Performance audit (PA) methodology is a full scope examination of the economy; efficiency and effectiveness of Government programmes and organisations. The PA methodology was applied in reviewing:
- HIV/AIDS Prevention and Control Project
  - Preventing, Detecting and Investigating Benefit Fraud at the Ministry of Labour and Social Security.
  - Administration of Stamps and Properties by the Post and Telecommunications Department.
- 3.16.1 The related reports for the above mentioned audits will be submitted separately to the Honourable Speaker for tabling in the House of Representatives.

**Acknowledgement**

- 3.17 I would like to extend special thanks to my staff for their contribution to this report, and express my gratitude to Accounting Officers, Chief Executive Officers and their staff, and officers of other Government departments and agencies for the courtesies and co-operation extended to my staff and me during 2010.

## Part 4

### FOLLOW UP ON PERFORMANCE AUDIT RECOMMENDATIONS

#### FISHERIES DIVISION

As part of the audit process we examined the extent to which our recommendations are acted upon by management. This section outline steps that have been taken by the relevant parties to address the concerns we raised in the Performance Audit report on the Fisheries Division and Post and Telecommunications Department.

Findings Number	Findings	Recommendations	Update on Recommendations
1.	<p><b>Licensing and Registration</b></p> <p>Of the approximately 17,552 registered fishers at May 2008, only 1,928 were registered, non-compliance rate of 89%. In addition, of the 4,719 registered vessels, only 187 were licensed, a non-compliance rate of 96%.</p>	Urgency should be placed on the passing and the promulgation of the proposed revised Fishing Industry Act.	The new Fisheries Act is with the Chief Parliamentary Council.
2.	<p><b>Monitoring, Control, Surveillance (MCS) and Enforcement</b></p> <p>Lack of staffing and financial resources impacted negatively the effectiveness and efficiency with which MCS and enforcement activities were conducted.</p>	All fishers and boats must be registered and licensed and action taken against identified offenders in keeping with the law.	We found that 4,348 fishing licences have been issued to date and 3,040 licences were renewed for the period October 2009 to September 2010. We found evidence of only 163 of the 578 fishing vessels whose licences were reported as renewed.

Findings number	Findings	Recommendations	Update on Recommendations
3.	<p><b>Research and Development</b></p> <p>The Division lacked the necessary resources to undertake extensive and comprehensive research activities.</p>	<p>The Division must be institutionally strengthened to efficiently execute its MCS mandate and as such requires the following: Additional vessels with dedicated crew; training in surveillance and evidence gathering and adequate funding</p>	<p>The modernization of the Fisheries Division into an Executive Agency has started and it is expected that the requisite staffing and resources will be made available under the new structure. The Agency also indicated that the necessary corporate and accounting support system will greatly improve the capacity of the organization to fulfil its mandate. The transition is scheduled to commence in April 2011, and achieve full Agency status three years after. In the interim, the Agency promised to address the outstanding concerns and recommendations with the limit given resources.</p>
4.	<p><b>Management of the Whitehouse Fishing Complex (WHC)</b></p> <p>The objectives of WHC to make the Whitehouse Fishing Beach a proto-type for a self-reliant and sustainable small-scale fishing industry were not accomplished.</p>	<p>Project management must be strengthened to facilitate the satisfactory development and implementation of related research activities.</p> <p>Urgent actions should be taken to collect the applicable fees and reactivate the management</p>	<p>The management of the Whitehouse Fishing Complex remains the same.</p>

		committee of the White House Fishing Complex.	
5.	<p><b>Public Education and Awareness</b></p> <p>An ineffective system of communication was noted, as the public awareness community outreach meetings were limited to eleven beaches and only 588 fishers and vendors attended.</p> <p>The inability to educate a wide cross section of fishing community may result in that continued infringement in the industry.</p>	<p>The Fisheries Division should develop and adopt more innovative strategies to better execute its Public Education and Awareness programmes to fishers and other participants in the industry.</p>	<p>See update at findings 3. Above</p>

Figure 9 Follow-up on Recommendations; Fisheries Division

## POST AND TELECOMMUNICATION

### PERFORMANCE AUDIT OF STAMPS AND PROPERTIES

Findings Number	Major Findings	Recommendations	Update
1.	<p><b>Inadequate Records Management</b></p> <p>The Post and Telecommunication Department did not maintain a detailed inventory record, which uniquely identified its properties by listing, property location, size, title volume and folio number to facilitate effective management</p>	<p>Although the ownership of Government properties is not vested in Ministries and Departments, best practice dictates that PTD should maintain a fixed asset register for all assets under its purview; to enable management at all times to readily account for all assets and facilitate determination of property values.</p>	<p>The Department has commenced the process of developing an inventory of its properties but awaits the input of the National Land Agency to complete the process.</p>
2.	<p><b>Inadequate Property Management and Maintenance</b></p> <p>There was no property management policy to guide the activities of the Building administration unit. In addition, the Department did not assess the risks associated with property management to allow for identification and implementation of effective measures to protect its properties and preserve their real estate values.</p>	<p>It is the view of the AGD that the revenue potential of all properties should be explored. Therefore, PTD should establish a property management policy, which adopts a systematic approach towards property maintenance and value enhancement. In that regard property management should not be confined to operational maintenance activities but instead engage a proactive approach, which identifies, space availability and utilisation; planned development activities; and property maintenance costs over specified periods. The feasibility of Government's ownership of the various properties could then be assessed.</p>	<p>A draft property management policy has been developed. The Department has also developed an applicant evaluation form to assess potential lessees. The Department advised it is working with the National Land Agency to finalise these documents.</p>
3.	<p><b>Unauthorised Rent Arrangements and Unstructured Rent Rate Policy</b></p> <p>Procedures were neither</p>	<p>PTD should ensure that the Commissioner of Lands negotiates and signs all rental agreements. (Section 4 of the Crown Property</p>	<p>There has been little progress in addressing this concern. Since May 2010 the Department has been working with the National Land Agency to develop new</p>

Findings Number	Major Findings	Recommendations	Update
4.	<p>implemented to ensure maximisation of revenue from all properties nor were strategies implemented to enhance revenue generation from excess spaces at post offices.</p> <p>Rental rates were not always set by a competent officer and consultations were not made with the Commissioner of Lands for 23 of the 24 rental agreements presented, as required by the Crown Properties (Vesting) Act, 1960.</p>	(Vesting) Act, 1960 refers).	contractual arrangements. However, to date no agreements have been finalised. We were informed that the Department is seeking to employ a legal officer to assist with the process.
5.	<p>Rental arrangements were not monitored to ensure that the terms and conditions outlined therein were duly executed and the stipulated rental rates obtained. Rental rates were not consistently adjusted in keeping with the terms of related contracts; 7 of the 24 contracts presented had expired for periods up to 7 years.</p>		The Department has developed and presently testing a software package which alerts the building officer of the expiration of contract and when rental rate adjustments are required.
6.	<p><b>Deficient Rent Collection System</b></p> <p>Nineteen (19) tenants owed the</p>	Urgent efforts should be made to collect all outstanding rent. PTD should also establish procedures to facilitate the frequent monitoring of rental arrangements to ensure strict	Eighteen tenants owed the Department \$2.94 million as at November 2010.

Findings Number	Major Findings	Recommendations	Update
7.	<p>Department approximately \$6.7M in rental as at September 30, 2009 for periods up to 57 months; One Telecommunication company owed PTD in excess of \$5.3M. The Department failed to provide information on the status of outstanding rental as at January 31, 2010.</p>	<p>adherence to the related terms and conditions. A suitable basis of determining the tenant's utility charges should also be developed which is reflective of the utility cost they incur. Tenants should be required to pay the actual cost for electricity and water used.</p>	<p>The Telecommunication Company rental is now current.</p> <p>In a letter dated August 20, 2010 the Department sought the assistance of the Solicitor General's office to collect outstanding amounts of \$1.6 million from seven tenants. Six of these tenants were issued with eviction notices. As a November 2010, two have vacated PTD's premises.</p>
	<p>Tenants were not always required to pay the actual costs for the electricity and water supplied; instead, they were allowed to pay fixed charges.</p>	<p>The AGD recognised that property rental is not the core activity of the PTD. In that regard, it appears that sufficient attention is not placed on the income earning potential of government properties and also ensuring that all amounts due are collected and properly paid over to the Government's coffers [All rental income collected by the PTD is paid into the Consolidated Fund]. None-the-less, the AGD is of the opinion that a capacity constraint within the Department will also impact negatively the potential to convert these properties to revenue generating units.</p> <p>The AGD recommends that a review be conducted of PTD's capacity to retain the responsibility to effectively manage the properties under its stewardship and maximise the revenue earned from them. The Government could also give serious consideration to transferring the property management and rental</p>	<p>As at November 30 2010 seven tenants shared electricity with the Department, three employees and four commercial tenants.</p> <p>Employees are still being charged fixed utility rate. However, since September 2010, this amount has been increased to \$5,000 monthly for utilities instead of the \$500 and \$1,000. However, only one of the three employees has commenced payment at the new rate.</p> <p>Since May 2010 commercial tenants are charged utility costs based on expected usage, which is determined based on equipment used by the tenant. Since implementation of this new system the four commercial</p>

Findings Number	Major Findings	Recommendations	Update
		function of the Department to another government agency.	<p>tenants who share utility services with the PTD has not honoured bills generated by the Department. These tenants owed PTD \$3.1M for utilities consumed for the period May 2010 to October 2010. We were informed that the Department has commenced negotiations with them to obtain their own electricity supply. One tenant was issued with an eviction notice in relation to the arrears.</p> <p>Documentary evidence was not presented to indicate whether two Telecommunication Companies paid \$984,052.30 for electricity supplied by the Department to their cell sites during the period 26.4.2010 to 30.9.2010.</p> <p>Since October and November 2010 both companies installed their own meter. However, PTD has not prepared the final electricity invoice to the Telecommunication Companies.</p>
8.	<p><b>Management of Stamps</b></p> <p>There was no formal contract outlining the relationship between PTD and the supplier of</p>	PTD should review its arrangement with the supplier of stamps in order to ascertain whether this represents	A formal contract, dated July 30, 2010, now exists between the supplier of stamps and the PTD.



Findings Number	Major Findings	Recommendations	Update
9	stamps. In addition, there were breaches of the Government's procurement guidelines.	the most economical option available to the Government in acquiring stamps. In doing so, PTD should ensure that it is in full compliance with the Government's procurement guidelines.	The PTD informed that they are committed to procure stamps from CASCO Philatelic based on their reliability and concerns about the security of other suppliers.
	The Department failed to provide information indicating the total expenditure for the procurement of stamps for the period April 2006 to March 2009. In the absence of this information, the audit was unable to determine whether the approval limits prescribed by the Government's procurement guidelines were observed.	PTD should develop a proactive strategic approach to ensure that decisions made concerning the acquisition and distribution of stamps and related products are driven by market conditions in order to minimise loss of stamps and improve cash flow.	The PTD advised that acquisition and distribution of stamps is now driven by market conditions. It was noted that the Department now produces quarterly reports on stamp stock balances from all its post offices island-wide.
	The Department's procurement and sales strategies did not include an assessment of consumers' demand patterns to inform the purchase of stamps.		
10.			
11.	There was no policy guiding the distribution of stamps to ensure that potential revenue from all stamp stock is realised. A stock of slow moving stamps valued at \$61.7M at the date of the report had categories of stamps that remained unissued for periods up to 13 years.		Post masters have been formally advised of the procedures to be used to ensure the sale of all categories of stamps.

Findings Number	Major Findings	Recommendations	Update
12.	<p><b>Management of Stamps</b></p> <p>Internal controls over the custody and issue of stamps were not enforced, as stamps valuing \$11.6M issued to post offices were not recorded in the dispatch register and there was no evidence that the register was subjected to review by an independent officer. In addition, the Department was unable to provide details of the contents held in 214 bags, which included stamps that were designated for destruction. The Department did not provide the value of the stamps to be destroyed.</p>	<p>The face value of the stamp is directly related to the revenue intake. Consequently, any loss or destruction of stamps is a direct loss of potential revenue. The AGD is of the opinion that PTD needs to adopt a cohesive system to govern the management of stamps; beginning with procurement through to sale.</p> <p>Again, recognising the monetary value of the stamps, PTD should apply the same level of controls as it would to its cash in hand. It is highly recommended that the Department review the day to day system that governs issues from stock to the post offices, which should include the monthly reconciliation of the inventory with the returns (monthly reports) from the post offices.</p>	<p>Stamps held in the 214 bags were sorted and amounts valued at \$8.1M were returned to stock. The Department is now in the process of obtaining the MOFPS instruction to determine a discount rate at which to sell low valued stamps to customers.</p>

Figure 10 Follow-up on Recommendations; Post and Telecommunications Department

# Part 5

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## INTERNATIONALLY FUNDED PROJECTS

### Northern Coastal Highway (NCH)

- 5.1 The audit of the financial transactions and accounting records of the Northern Coastal Highway, Segment 2 Project revealed the following:

#### Land Acquisition

- 5.2 The NCH incurred interest payments totalling approximately \$14M to two (2) property owners; due to long overdue payments for lands acquired from them. At the date of the audit in March 2010, no payment had been made to one (1) of the clients, which means that further interest may be incurred.

#### Procurement Breaches

- 5.3 Competitive price quotes were not obtained for payments made to five (5) contractors totalling \$4.2M. Consequently, the Agency may not have benefitted from the best available price on goods and services purchased.

#### Project Duration

- 5.4 The Project had an initial duration of thirty-two (32) months (November 2001 to June 2004). Several extensions were granted, causing an overall time overrun of sixty-nine (69) months.

#### Environmental Mitigation

- 5.5 The Ministry of Finance and the Public Service Monitoring Report for the period ending May 2009 indicated no budgeted or actual expenses under this component. However, data extracted from disbursement records showed expenses totalling US\$39,463 (JA\$3.3M) up to June 2009.

### Social Safety Net – Programme of Advancement Through Health And Education (PATH)

- 5.6 The Social Safety Net (SSN) Project was a part of the Programme of Advancement through Health and Education (PATH) and was jointly funded by the Government of Jamaica (GOJ) and the International Bank for Reconstruction

and Development (IBRD). The Programme aimed to provide an efficient system of social assistance for the poor and vulnerable. The objectives of the Programme were to be achieved through components which include education, health and social assistance grants for adults as well as institutional strengthening of the Ministry of Labour and Social Security (MLSS) to operate a streamlined and efficient social assistance system.

- 5.6.1 The accounting records and transactions of the programme for the period April 2009 to March 2010 were examined in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) standards, the terms of the Loan Agreement and the Government of Jamaica's regulations.

- 5.6.2 The audit disclosed a generally satisfactory state of affairs. The following among observations were made:

#### **Expenditure Vouchers**

- 5.7 All payments were examined for the captioned period and it was revealed that payments made were accurate and related to the activities of the Project for the period under review. The controls over this area were found to be adequate.

#### **Bank Accounts**

- 5.8 Transactions and related records for the Administrative Account were examined and it was noted that the controls exercised over the operations of the account were generally satisfactory.

#### **Consultancy Contracts**

- 5.9 An entity was engaged to conduct a "Recertification Exercise" to verify that all households which were enrolled up to December 31, 2002 and thereafter have been receiving benefits under PATH. The consultancy contract was originally scheduled to be completed in four (4) months with effect from September 18, 2008. It was noted, that although there was a time over run on the contract due to the volume of work to be completed, the assigned tasks were completed adequately with no additional compensation to the Entity. The final payment was made on December 7, 2009.

- 5.9.1 Another consultant was engaged to implement a system which would record all phases of the PATH Project. The contract was originally signed on November 14, 2007 and was scheduled to last for 12 months. However, approval was later given for it to be extended for an additional 16 months. This resulted in total variation cost of US \$270,270 due to increased management fees. The variation was submitted to the National Contracts Commission (NCC), subsequently approved, and submitted to Cabinet for their approval. Management indicated that the submission was originally denied by the Cabinet due to the lapse in time between the NCC's approval and the deliberation for approval by the Cabinet. However a second submission was subsequently approved by the Cabinet

### **Internal Controls**

- 5.10 An assessment of internal controls in the Programme revealed that these were adequate to reduce or prevent errors and irregularities.

### **Compliance with contractual Clauses**

- 5.11 There was general compliance with the contractual clauses of the project. However, certified financial statements for the period under review were not submitted to the World Bank within four (4) months after the financial year end as required by Article IV Section 4.01 of the Loan Agreement. This was due to failure to present accurately prepared statements to me in a timely manner.

### **Financial Statements**

- 5.12 The financial Statements for the year 2009/2010 were examined and found to be satisfactory following the application of our recommendations.

### **Programme of Advancement Through Health And Education – Social Protection Support For Food Price Crisis**

- 5.13 The Government of Jamaica signed a contract with the Inter – American Development Bank (IDB) on January 19, 2009 to finance a new sub-programme (Sub-programme B) for Social Protection Support to the Food Price Crisis (SPSFPC).

5.13.1 The Programme has two specific objectives:

- To increase welfare of current PATH Beneficiaries by increasing the amount of the subsidy and to incorporate additional vulnerable households to the PATH safety net; and
- To increase human capital levels of poor families through attendance at school and health clinics.

5.13.2 An examination of the financial transactions and accounting records of the captioned Programme disclosed a generally satisfactory state of affairs. However, we advised the Program's management to address the control deficiencies surrounding the safeguarding of blank cheques. The other observations were as follows:

#### **COMPLIANCE WITH CONTRACTUAL CLAUSES**

##### **Application for Disbursement of funds**

5.14 Examination of disbursement requests submitted to the IDB, along with their supporting documents, showed general compliance with the relevant contractual clauses in the Loan Agreement.

##### **Financial Statements**

5.15 Certified financial statements for the period under review were not submitted to the IDB by July 31, as stipulated in the loan agreement. This was due the management's failure to present accurate statements for audit in a timely manner.

5.15.1 The financial statements for the year 2009/2010 were examined and found to be satisfactory following the application of adjustments that were recommended. Management was advised that failure to present certified financial statements to the IDB within the agreed timeframe not only represents a breach of the loan agreement but may also preclude a timely assessment of the operations of the project. They were advised to implement measures to ensure that future statements are accurately prepared and submitted for audit in a timely manner.

**Contractual Agreements**

- 5.16 Two consultancy contract; one for a performance evaluation of the PATH Programme and the other for draughtsman work for the relocation of the Kingston and St Andrew office were adequately executed within the time agreed.

**Programme of Advancement Through Health And Education – Social Protection Project**

- 5.17 The Social Protection Project is currently one of two Projects under the Programme of Advancement through Health and Education (PATH) and is jointly funded by the Government of Jamaica (GOJ) and the International Bank for Reconstruction and Development (IBRD).

- 5.17.1 The Project consists of 4 parts namely:

- (i) Improving the effectiveness of PATH;
- (ii) Building capacity for the Steps-to-Work Programme;
- (iii) Improving public sector pension system administration and building capacity for reform; and
- (iv) Development of a social protection strategy.

- 5.17.2 The accounting records and transactions of the programme for the period April 2009 to March 2010 were examined in accordance with standards of the International Organization of Supreme Audit Institutions (INTOSAI), the terms of the Loan Agreement and the Government of Jamaica's regulations.

- 5.17.3 The following observations were made:

**Consultancy/ Contracts**

- 5.17.4 Two contractual agreements that were scheduled to end during the period were not completed as agreed.
- 5.17.5 A Consultant was contracted for four (4) months to carry out a "Diagnostic Study for the Identification and Assessment of Vulnerable Groups in Jamaica". Compensation was agreed at US\$30,000.
- 5.17.6 Up to the time of this report, only two of the four (4) agreed tasks were completed. The Consultant was paid a total of US\$12,000 for these tasks instead of the US \$9,000 that was set out in the payment agreement. There was no evidence that the Dispute Resolution clause of the contract was applied to resolve this matter. Management was advised to take steps to recover the

overpaid amount and refer the matter for adjudication/ arbitration as stipulated by the contract.

### **Internal Control Weaknesses**

#### **Salaries & Wages**

- 5.19 It could not be determined when persons who were assigned to the Project from the Ministry of Labour and Social Security, assumed duties as the respective assumption letters were not placed on the personal files. Consequently, we could not determine whether officers were paid for the correct period of their employment. Management was advised to take the necessary steps to correct this deficiency.

#### **Expenditure Vouchers**

- 5.20 Payment vouchers and invoices for expenditure totalling \$1.2M were not stamped “paid” to prevent re-use. Management was advised to take corrective action as this could result in duplication of payments.

#### **Bank Reconciliation Statement**

- 5.21 We identified several errors in the prepared reconciliation statements. These included, stale dated cheques, cheques cashed by the bank, the omission of outstanding cheques; and delay in reconciling the bank accounts. The statements were at least three months in arrears at the time of the audit. Management was advised to take corrective action, as failure to address the deficiencies will result in errors or irregularities going unnoticed.

#### **Assessment of Controls Over Payments to Beneficiaries**

- 5.22 A review of the internal audit reports revealed that there were 59 confirmed cases of duplicate payments to beneficiaries which was reported as submitted to Management. However, up to the time of this report, management did not submit a response to the internal auditors.
- 5.22.1 The Management reported an attempted fraud on the PATH Beneficiaries’ Account to the Ministry of Finance and Planning in letter dated July 26, 2010. Six fraudulent cheques totalling J\$ 42,920 that were negotiated at wholesale dealers were brought to the Ministry’s attention. It was reported that the cheques were not honoured by the bank and the matter was reported to the Fraud Squad for investigation. Management was advised to inform what actions were taken to mitigate the risk of fraud and other irregularities.



**Fixed Assets**

- 5.23 Several assets totalling \$81,848.50 were not included in the fixed assets register. Additionally, Location Records were not seen in the offices occupied by the Project and the required Office Machines and Equipment records were not being maintained. We advised management that failure to address the deficiencies will result in loss of assets.

**Special Bank Account**

- 5.24 The controls exercised over the operations of the account were generally satisfactory.

**Compliance With Contractual Clauses****Application for Disbursement of funds**

- 5.25 Examination of disbursement requests submitted to the World Bank, along with their supporting documents showed general compliance with the relevant contractual clauses.

**Financial Statements**

- 5.26 There was general compliance with the contractual clauses of the project. However, certified financial statements for the period under review were not submitted to the World Bank within four (4) months after the financial year end as required by Schedule 2 and Section II B (3) of the Loan Agreement.
- 5.26.1 This was due to failure to present accurately prepared statements in a timely manner.
- 5.26.2 The Financial Statements for the year 2009/2010 were examined and found to be satisfactory after the changes recommended by the auditors were applied.

**GOJ/DFID/CIDA/IADB GRANT – Public Sector Modernization Programme - PHASE II (PSMP II)**

- 5.27 The Public Sector Modernisation Programme Phase II, which is jointly funded by the Government of Jamaica, the UK Department for International Development (DFID) and the Canadian International Development Agency (CIDA) aims to enable the Government of Jamaica to establish an efficient, transparent and responsible Public Service and to improve the outcomes achieved in pursuance of its pro-poor policy objectives.

5.27.1 The audit of the PSMPH disclosed deficiencies in relation to the timely submission of financial statements. This matter has since been resolved.

# Part 6

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## INFORMATION SYSTEMS AUDIT

### Review of The Jamaica Tax Online Payment System

#### **Introduction and Overview**

- 6.1 The Jamaica Tax Online Payment System/Virtual Collectorate is a web based system which facilitates the payment of certain taxes, fees and fines as well as the filing of tax returns (e-filing) electronically. The Virtual Collectorate was implemented in December 2004 under the E-Government initiative, which was introduced, to facilitate Government revenue collection and remove tax compliance barriers by making the methods of tax payments more convenient.
- 6.1.1 An audit of the Jamaica Tax Online/Virtual Collectorate was conducted to determine whether adequate controls were in place and were operating effectively and efficiently to achieve the organization's objectives. Tests were also carried out to identify data inconsistencies and anomalies that may compromise data integrity and the operational efficiency of the system. The following paragraphs contain a summary of the observations made.

#### **Excessive Password Validity Period**

- 6.2 Passwords are a critical element of computer security as they provide the basis for controlling access and establishing accountability by identifying and authenticating users. Best practices relating to passwords require, among other things, that passwords must be in place for all systems and that they should be encrypted, difficult to guess, changed periodically and be a minimum of six to eight characters.
- 6.2.1 Investigations revealed that it is the policy of the Tax Administration Directorate that all employees change their passwords at least every 90 days. It was, however, observed that the password validity period for one hundred and seventy eight (178) active users exceeded 90 days.
- 6.2.2 This is a breach of the Tax Administration Directorate's Information Technology Security Policy. Furthermore, older passwords are more likely to be compromised and misused. It was therefore recommended that the password

validity period for the relevant users be reviewed and set to expire once the 90 days have elapsed.

### Access to Multiple User Groups

6.3 Typically user groups are arranged according to department, function/role, project, or other teaming relationships. This measure effectively restricts the use of computer system resources to authorized users and limits the actions performed by authorized users as well as ensure that users obtain only authentic computer system resources.

6.3.1 The Inland Revenue Department's internal users of the Jamaica Tax Online System are assigned to User Groups based on their relevant roles and functions. Data analysis revealed that sixty-one (61) users were assigned to more than one user group. See Figure below.

User Group	No. of Assigned Users
AMSO	4
AMO	1
AM	3
AS	1
AO	3
MSO	24
MS	4
OS	21

A- Administrator    M - Manager    S – Supervisor    O– Officer

Figure 11 User Group Conflicts - Inland Revenue

6.3.2 In addition to the above, the **GROUP\_PERMISSIONS** table revealed that individuals assigned to the **Supervisor** group had access to the **Traffic Ticket Rates Master** which, is not required to conduct the duties ordinarily assigned to a Supervisor. While access to multiple user groups may be necessary in certain circumstances, it also increases the risk that officers may perform functions that are inconsistent with their designated roles within the department. This may lead to errors as well as unauthorized and improper system changes. It was therefore recommended that the access privileges of all users be reviewed with a view to restricting access based on the duties that should be performed by the officers in their respective positions.

**Expired User Accounts with active status**

- 6.4 The audit identified twenty-five (25) users whose accounts had expired at the time the data was received but their user status remained active. This increases the risk of unauthorized users gaining access to the system and conducting illegitimate transactions. Management was advised to ensure that all expired accounts reflect their correct status. In addition, the status of expired or inactive user accounts should be reviewed periodically and terminated where appropriate.

**Missing Username**

- 6.5 In multi-user systems such as the Jamaica Tax Online Payment System usernames and passwords are usually required to gain access to the system. A review of the **CRS\_M\_EMPLOYEE** table revealed that; of the one hundred and ninety-four (194) users identified, only fifty (50) users had a Username. Furthermore, the Jamaica Tax Online data dictionary indicated that the field **User\_Name** should not be null.

- 6.5.1 Missing or incomplete data may reduce the reliance that can be placed on the information provided by the system. This may also compromise system accountability in cases where system users are not able to be properly identified due to the absence of a username. Management should ensure that appropriate controls are in place so that all relevant data such as *Username* is adequately captured.

**Outstanding Lodgements**

- 6.6 A review of the Outstanding Lodgements Register revealed that transactions dating back to December 2004 remained outstanding as at March 31, 2010. A combined total of \$5.3M was recorded as not yet credited to the relevant bank accounts between December 9, 2004 and October 12, 2009. See Figure below.

Bank	Period	Amount
BNS	December 9, 2004 to June 30, 2009	\$ 3,686,855.19
NCB	November 7, 2005 to October 12, 2009	\$ 1,667,954.36
Total		\$ 5,354,809.55

Figure 12 Outstanding Lodgements – Jamaica Tax Online

**Updating of Taxpayer Accounts**

- 6.7 The Jamaica Tax Online System provides an interface to the Property Tax System (PTS) and Integrated Computerized Tax Administration System (ICTAS) in a similar manner as the Integrated New Cash Remittance System (INCRS) used in the Collectorates. This allows for taxpayer accounts to be updated at the end of each day.
- 6.7.1 A sample of transactions made via the e-portal was compared with data from ICTAS to determine if the respective accounts were updated in a timely manner. The investigations revealed that five (5) transactions totalling \$50,000 for Coin Operated Machines (Tax Type 212), were not updated to the taxpayer's account. The ICTAS *Failed Posting Transaction Report* showed that the update had failed due to an invalid period. This resulted from the fact that this type of transaction does not have a defined payment period. The taxpayer's account was subsequently manually updated after this issue was brought to the IRD's attention.
- 6.7.2 It would appear that taxpayers' accounts may not be appropriately updated with online payments for tax types that do not have a pre-defined payment period. We informed IRD that it is necessary that they ensure, as far as possible, that all tax types have an appropriately defined payment period so as to facilitate the updating of taxpayers' accounts in a timely manner.

**Inadequate Change Management Controls**

- 6.8 The goal of change management is to limit risks associated with the introduction of new elements and other modifications into an IT environment; particularly, in operational areas. In general, change management can help an organization reduce risks to a level acceptable to management. Appropriate change management controls benefit not only regulatory compliance, but information security, operations, and risk management functions. The objective of change management is largely to ensure that changes are appropriate and don't produce negative consequences.
- 6.8.1 A review of the tax types available on the Virtual Collectorate revealed that three tax types were not available for payment on the portal after the 2005/2006 financial year.

The three missing tax types are:

152	MV Drivers Licence Exam Fee
165	Certificate of Fitness Fee
166	MV Drivers Licence Exam Fee

- 6.8.2 These tax types were removed because; according to the IRD there was no means of validating the authenticity of the receipts presented at the various Motor Vehicle Examination Depots.
- 6.8.3 Documentation relating to the change request made by the IRD for the removal of the tax types was requested from Fiscal Services Limited (FSL) as well as from the IRD, however, both entities could not locate the relevant records.
- 6.8.4 Change management practices require the maintenance of all relevant documentation relating to system changes. The absence of this control increases the risk that changes may be made to the system without the proper authorization. Furthermore, improper changes may impact the functionality and controls of the system resulting in increased system vulnerabilities. IRD was advised to ensure that adequate change management controls are in place so as to reduce the risk of unauthorized changes to the system.

## Review of The Jamaica Driver's Licence System (DLS)

### Introduction and Overview

- 6.9 An audit of the Driver's Licence System (DLS) raised concerns over the reliability of the information within the Driver's Licence System (DLS) as well as the controls in place to monitor the system. It is imperative that urgent attention be given to the following deficiencies highlighted below.

### Missing Data

- 6.10 The following data, most of which are mandatory requirements for the issue, renewal, upgrade or replacement of a driver's licence was found to be missing:
- **11** records with missing **Forename**;
  - **1** record with missing **Surname**;
  - **3** records with missing **Date of Birth**;
  - **234,691** records with missing **Place of Birth**;

- **45,702** records with missing **Occupation**;
- **8** records with missing **Original Issuing Collectorate**;
- **58** records with missing **Class of Licence**;
- **59** records with missing **Licence to Drive**;
- **530,283** records with missing **Competence Certificate Issuer**;
- **391,961** records with missing **Competence Certificate Number**;
- **383,801** records with missing **Competence Certificate Date**;
- **403,524** records with missing **Issuing Collectorate Date**;
- **13** records with missing **Issuing Collectorate**;
- **401,431** records with missing **Receipt Numbers**;
- **1,427,478** records (all records) with missing **Receipt Date**;
- **399,664** records with missing **Data Entry Operator**;
- **403,961** records with missing **Verified By** field.

6.10.1 The DLS apparently does not force the user to input all the above details even though they are required to be clearly stated on the *Application for Driver's Licence Transaction(s) form (Form-F7)*. This reduces the reliance that can be placed on the data produced by the system especially in cases where the original source document [Form-F7] cannot be found. Management was advised to ensure that the appropriate controls are in place so that all the above data is adequately captured. Furthermore, the system should force the user to input all the details required by the *Form-F7*.

#### Age Analysis

6.11 Section 18(1) (iii) of the Road Traffic Act states that the minimum age to obtain a Driver's Licence is seventeen years (17). In addition, Regulation 45 (5) of The Road Traffic Regulations states that no person shall be granted a General Driver's Licence to drive Public Passenger Vehicles (PPV) who is less than twenty-one (21) years of age. Data analysis of the DLS database revealed the following discrepancies in relation to the age of some Licencees:

- **1,767 records** where applicants under 17 years of age were issued with Driver's Licences;
- **740 records** where applicants under 21 years of age were issued with a General Driver's Licence to drive Public Passenger Vehicles (PPV).

6.11.1 In addition to the above findings, the analysis revealed that:



- There were **65 records** where applicants 100 years old and over were issued with Driver's Licences for the first time;
- There were **8,596 records** where applicants between 65 and 99 years old were issued with Driver's Licences for the first time;
- There were **249 records** where the *original issue date* of the Driver's Licence was before the applicant's *Date of Birth*;

6.11.2 Individuals who have received their Driver's Licence before the age of seventeen (17) or in the case of those who have received a General Driver's Licence to drive Public Passenger Vehicles (PPV) before the age of 21 years, have done so in breach of Section 18(1) (iii) of the Road Traffic Act and Regulation 45(5) of the Road Traffic Regulations respectively. **Furthermore, these findings have brought into sharp focus; the integrity of the Driver's Licence System (DLS) with regard to its data validation capabilities, as the system should not have allowed the processing of clearly inconsistent data that relate to each other.**

6.11.3 The officers responsible for granting these licences are also in breach of the Act and the appropriate disciplinary action should be taken against them. Individuals who have received their Driver's Licence in breach of the Road Traffic Act and the Road Traffic Regulations should be placed on a stop list and their Licences should not be renewed until they have attained the appropriate age and have been duly re-tested. These persons may also be disqualified from holding or obtaining a Driver's Licence. Management should also ensure that the data validation capabilities of the system are improved to the extent required under the Road Traffic Act, thus eliminating the processing of inconsistent and unrealistic data.

6.11.4 Ultimately, the IRD must ensure that Driver's Licences are only issued to individuals who have attained the appropriate age in accordance with the Road Traffic Act and Regulations.

### **Inconsistent and Invalid Data**

6.12 An analysis of the DLS revealed the following discrepancies:

#### *Cross Roads Collectorate*

6.12.1 The Cross Roads Collectorate, a full-service branch of the Inland Revenue Department was officially opened to the public on **May 29, 2000**. The audit, however, identified **30 records** where the Cross Roads Collectorate was the

*original issuing Collectorate* for licences that were issued prior to May 29, 2000 when the Collectorate did not exist.

#### Portmore Collectorate

6.12.2 The Portmore Collectorate was opened on **July 28, 2008**. The audit, however, identified **1 record** where the Portmore Collectorate was the *original issuing Collectorate* for a licence that was issued in 1967.

#### Spanish Town Road

6.12.3 The audit also identified **2 records** where the *original issuing Collectorate* was stated as being *Spanish Town Road* even though there is no Collectorate in that area.

#### Invalid Issuing Collectorate

6.12.4 The *Issuing Collectorate* represents the Collectorate (Tax Office) where the Driver's Licence was issued. The Driver's Licence System (DLS) contains a list of all the Collectorates that is used to populate the relevant data field for each applicant. It is therefore expected that each Licence record in the system would have an *Issuing Collectorate* consistent with the pre-defined list.

6.12.5 We observed that a total of **218,328 records** did not contain *Issuing Collectorate* data that was consistent with the pre-defined list in the Driver's Licence System. As a result, it may affect the IRD's ability to properly identify the correct Issuing Collectorate for these records.

#### Invalid Issuing Collectorate Date

6.12.6 The *Issuing Collectorate Date* represents the date on which the Driver's Licence was issued by the Collectorate. The audit identified **532 records** with *Issuing Collectorate Dates* that are in the future as at July 7, 2010 when the DLS data was received by the Auditor General's Department (AGD). This further highlights the weak data validation capacity of the system.

#### Invalid Place of Birth

6.12.7 Each applicant for a Driver's Licence is required to state on the prescribed application form, their place of birth in order to obtain or renew their Driver's Licence. It was however observed that in addition to the **234,691** missing place of birth records mentioned above there were **179** records with an invalid place of birth.

Invalid Original Issue Date

6.12.8 The *Original Issue Date* is the date on which an individual's Driver's Licence was first issued. The audit identified **116 records** with *Original Issue Dates* that are in the future as at July 7, 2010 when the DLS data was received by the AGD.

Invalid Competence Certificate Date

6.12.9 A *Certificate of Competence* is issued by the Traffic Authority to an applicant after he/she has fulfilled the requirements of the Road Traffic Act for obtaining a Driver's Licence. The *Competence Certificate Date* is the date on which such a Certificate is issued. The audit identified **245 records** with Competence Certificate Dates that are in the future as at July 7, 2010 when the DLS data was received by the AGD.

Original Issue Date vs. Competence Certificate Date

6.12.10 A comparison of these two dates for each record revealed the following discrepancies:

- **3,153 records** where the *Original Issue Date* was one (1) year or more from the date of the Competence Certificate. Usually these two dates are close to each other;
- **14,800 records** where the *Original Issue Date* came **before** the *Competence Certificate Date*, implying that the licence was issued before the Certificate of Competence was issued.

Invalid Personal ID (TRN)

6.12.11 Each individual's *Taxpayer Registration Number (TRN)* is used as their *Personal ID* within the Driver's Licence System (DLS). All TRNs should begin with the digit **1** and be of nine (9) characters in length. The analysis, however, revealed that there were a total of **352,278 records** with TRNs that did not satisfy those two criteria.

Duplicate Personal ID (TRN)

6.12.12 In addition to the above, there were **62 records** that contained duplicated Personal ID/TRN numbers, i.e. different individuals with the same Personal ID/TRN.

Driver's Licence Validity Period

6.12.13 A Driver's Licence is usually valid for five (5) years and normally expires on the Licencee's fifth birthday after the Licence was issued. The analysis, however, revealed that:

- There were **1,459 records** with a Licence validity period in excess of 5 years, and;
- **1,166,333 records** with a Licence validity period less than 5 years.

*Private Driver's Licences licence to drive PPV*

6.12.14 Section 16 (4) (a) of the Road Traffic Act states that a *Private Driver's Licence* shall entitle the holder to drive, not for reward, "trucks" and "motor cars", **not being** public passenger vehicles or commercial motor cars. The audit, however, identified **18 records** where individuals with a *Private Driver's Licence* were authorized to drive public passenger vehicles in contravention of the Act.

*Motor Cycle Driver's Licences licence to drive Motor Cars*

6.12.15 Section 16 (4) (c) of the Road Traffic Act states that a motor cycle driver's licence, shall entitle the holder thereof to drive a motor cycle. The audit, however, identified **23 records** where individuals with a motor cycle driver's licence were authorized to drive motor cars and trucks in contravention of the Act.

*Previous Driver's Licence Number*

6.12.16 An applicant's previous driver's licence number is the unique number assigned to their previous driver's licence. An analysis of this data field revealed the following discrepancies:

- **203,327 records** of licences that have either been renewed, replaced or upgraded without a previous driver's licence number;
- **10,028 records** of new driver's licences that had a previous driver's licence number.

6.12.17 The above instances of invalid and inconsistent data within the Driver's Licence System (DLS) occurred primarily due to the lack of validation on the respective fields. The system apparently does not enforce rules that prevent the processing of inaccurate, inconsistent or invalid data and as a result could lead to the generation of misleading reports.

6.12.18 In view of the relative importance of the DLS, it is necessary that all data included within it be accurate and complete. Therefore, the records identified should be reviewed and the relevant adjustments made. The appropriate disciplinary action should also be brought against the relevant motor vehicle examiners and Collectorate officers who have acted in breach of the Road Traffic Act.

6.12.19 Management should also ensure that the necessary validation controls are implemented so as to prevent the recurrence of these inconsistencies.

### **Anomalies with Addresses**

6.13 Data analysis of this area revealed the following discrepancies:

- **79 records** with incomplete addresses;
- **2,383 records** with P.O. Box numbers as addresses;
- **67 records** of individuals using apparently non-residential addresses to obtain or renew their driver's licence.

6.13.1 The failure to record proper residential addresses for each applicant will make it difficult to track these individuals in the case of an accident or any other traffic related offence. These discrepancies should be investigated and the relevant records appropriately updated to reflect the correct residential address of each licensee.

### **Motor Cycle Licence**

6.14 Section 11 (1) (e) of the Road Traffic Act classifies a motor cycle as a motor vehicle with less than four wheels. While Section 16 (4) (c) states that a motor cycle driver's licence shall entitle the holder to drive a motor cycle. Notwithstanding the provision in Section 16, an individual may drive a motor cycle without a motor cycle driver's licence if he/she is the holder of a valid Provisional Driver's Licence (Learner's Licence). This may be done without the usual supervision as would be required for a "*Learner*" driving a motor car.

6.14.1 We selected a random sample of fifty (50) motor cycle drivers from the New Kingston, Cross Roads and Half Way Tree areas of Saint Andrew to ascertain what percentage of these drivers are the holders of a motor cycle driver's licence. Of the fifty (50) drivers selected, forty-five (45) worked as messengers. None of the fifty (50) had a motor cycle driver's licence but instead used their Provisional Driver's Licence. None saw the need for a motor cycle driver's licence when they could continue using their Provisional Driver's Licence indefinitely.

6.14.2 Motor cycle drivers seem to be abusing the provisions of the Road Traffic Act that allows them to drive a motor cycle without a motor cycle driver's licence. As a result, these drivers are "*authorized*" to drive but they have not been certified competent by the Traffic Authority.

6.14.3 The Road Traffic Act should be reviewed with a view to reducing the opportunities for abuse and ensuring that all motor cycle drivers are the holders

of a valid motor cycle driver's licence. This could be done by applying certain restrictions to the provisional driver's licence, such as, limiting the holders to operate a vehicle only within a certain time period or restricting the operation of a vehicle to certain designated roads.

## Review of The Taxpayer Registration Number (TRN) System

### **System Objectives**<sup>2</sup>

6.15 The general aim of the TRN system is to improve tax administration in Jamaica. The specific objectives of the system are:

- To uniquely identify each taxpaying Entity that interacts with the Revenue Departments;
- To facilitate the establishment of relationships between taxpaying entities that in turn will facilitate reconciliation of accounts and integrated assessment of all taxes;
- To maintain a consistent and reliable database that contains information that is within acceptable limits in respect of accuracy.
- To facilitate easy correlation and transference of data between the Revenue Departments and the system.

6.15.1 An audit of the Taxpayer Registration Number (TRN) system was conducted to determine whether adequate controls were in place and were operating effectively and efficiently to achieve the organization's objectives. Tests were also carried out to identify data inconsistencies and anomalies that may compromise data integrity and the operational efficiency of the system.

6.15.2 The lack of complete, accurate and consistent information within the TRN system will impact negatively on the overall achievement of the system objectives. It may also raise concerns about the reliability of the system. The deficiencies highlighted below require management's urgent attention so as to prevent any loss of confidence in the system.

6.15.3 In view of the relative importance of the TRN system, it is necessary that all data included within it be accurate and complete. Therefore, the records identified

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<sup>2</sup> Source: TRN User Manual Release 4.0 dated August 18, 2003.

should be reviewed and the relevant adjustments made. Management should also ensure that the necessary validation controls are implemented so as to prevent the recurrence of these inconsistencies.

### Missing Data

6.15.4 One of the major objectives of the TRN system is ***“to uniquely identify each taxpaying Entity that interacts with the Revenue Departments”***. This can only be achieved by ensuring that information that uniquely identifies a taxpayer is adequately captured by the system.

6.15.5 The following data, some of which are not mandatorily required by the system but nevertheless serve to uniquely identify a taxpayer was found to be missing:

- **25 records** without a *first name*;
- **1 record** without a *last name*;
- **1,328 records** without a *marital status*;
- **75 records** without a *nationality code*;
- **11 records** without a *home address*;
- **1,348,960 individual confirmed TRN records** without a *confirmed TRN date*;
- **41,887 business confirmed TRN records** without a *confirmed TRN date*;
- **9 records** without a *birth country*;
- **62,291 records** without a *birth parish code*;
- **55,233 records** without a *birth place name*;
- **1,667,764 records** without a *birth first and last name*;

6.15.5 These fields contribute to uniquely identifying a taxpayer and, if left blank could hinder the verification process when the system identifies potential duplicated records. Furthermore, of the above records identified, the following fields are mandatory for assigning a confirmed TRN:

- Applicant's Name
- Applicant's Marital Status
- Applicant's Address

6.15.6 Even though the above mentioned fields are mandatory, the TRN Data Dictionary identifies them as optional. The Data Dictionary also identifies other mandatory fields such as *Birth Date* and *Gender* as optional. The Data Dictionary should reflect the business rules of the TRN system otherwise there will be inconsistencies between what the system is supposed to do and what is actually done. Management was advised to ensure that the appropriate controls are in place so that all relevant data is adequately captured; consistent with the system's objective of ***uniquely identifying each taxpaying Entity that***

***interacts with the Revenue Departments.*** The above missing records should also be updated as far as it is practicable. Furthermore, the TRN Data Dictionary should also be updated to reflect the current business rules of the TRN system.

#### **Invalid and Inconsistent Data**

6.15.7 Information Technology should enforce the rules, policies and procedures of an organization as well as prevent inaccurate, incomplete and invalid data from being processed. However, our analysis of the TRN system revealed the following discrepancies:

#### **TRNs containing three consecutive sixes – 666**

6.15.8 The TRN Business Design Document-System release 4, dated July 11, 2003, modified the rules governing the TRN generation algorithm. The algorithm was modified to exclude those numbers that have the occurrence of three consecutive sixes i.e. 666. As a result, no TRN should be generated that includes the occurrence of three consecutive sixes.

6.15.9 Data analysis however, identified **325 records** of confirmed TRNs with the occurrence of three consecutive sixes that were assigned after July 2003.

#### **Invalid Birth Country Code**

6.15.10 The *Birth Country Code* represents the applicant's country of birth and is included in the applicant's personal details within the TRN Database. The Database has a list of all valid country codes which should populate each record. The audit, however, identified **1 record** where the *Birth Country Code* did not match any of the pre-defined codes within the Database.

#### **Active TRN with Death Date**

6.15.11 There were **78 individuals with an active TRN** but had a date of death entered.

#### **Inconsistent Home Country and Home Parish**

6.15.12 There were **126 active records** where the individual's *home country* and *home parish* were not consistent.

6.15.13 The above instances of invalid and inconsistent data within the TRN System may be as a result of the lack of validation on the respective fields. The system apparently does not enforce certain rules that serve to prevent the processing of inaccurate, inconsistent or invalid data and as a result could lead to the generation of misleading reports.



# Part 7

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## FINANCIAL STATEMENTS AUDITS

### Financial Statements Audit Reports Issued In 2010

- 7.1 Financial statements of all Executive Agencies, Parish Councils and Statutory Bodies were audited in order to express an opinion as to whether they reflect a true and fair view. A true and fair view means that there is compliance with the relevant accounting standards; and there is no evidence of material misstatements.
- 7.1.1 All audits were conducted in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

### DECIDING ON THE FORM OF AUDIT OPINION

#### *Qualified Opinion*

- 7.2 The auditor expresses a qualified opinion because of:
- a disagreement between the auditor and the Entity about the treatment or disclosure of a matter in the financial statements; or
  - a limitation in scope because the auditor is unable to obtain enough evidence to support an opinion on the financial statements.

- 7.2.1 During the year, no qualified opinion was issued.

#### *Adverse Opinion*

- 7.3 An adverse opinion is expressed when the auditor and the Entity disagree about the treatment or disclosure of a matter in the financial statements that is considered to be material.

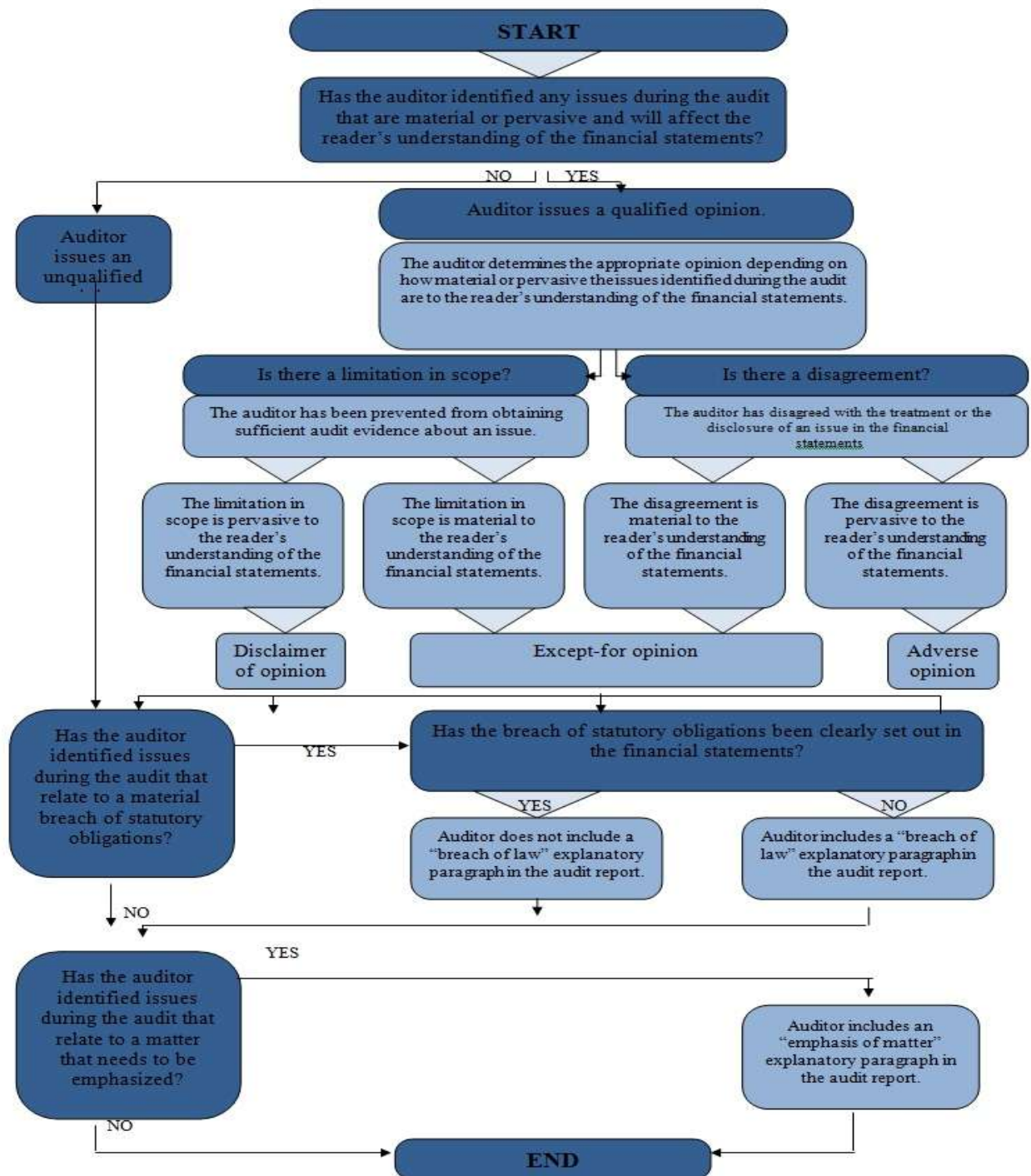
During the year, no adverse opinion was issued.

***Unqualified Opinion***

- 7.4 The opinion expressed when the auditor concludes that the financial statements reflect a true and fair view.

During the year, unqualified opinions were issued for all the audits conducted.

## The Financial Statements Certification Process



**Unqualified opinions issued for the financial statements' audits for the following entities:**

ENTITIES	CLASSIFICATION OF ENTITIES	FINANCIAL YEAR	DATE OF CERTIFICATION
Registrar General's Department	Executive Agency	2005/2006	12/1/10
Companies Office of Jamaica	Executive Agency	2006/2007 2007/2008	25/1/10 30/7/10
National Youth Service	Statutory Body	2003/2004 2004/2005	26/1/10 26/1/10
Anti-Dumping and Subsidies Commission	Statutory Body	2007/2008	4/3/10
Police Public Complaints Authority	Statutory Body	2008/2009	23/3/10
Fair Trading Commission	Statutory Body	2006/2007	8/4/10
Institute of Jamaica	Statutory Body	2002/2003	21/5/10
Jamaica Information Service	Executive Agency	2008/2009	21/5/10
Council of Community Colleges of Jamaica	Statutory Body	2004/2005	24/6/10
Administrator General's Department	Executive Agency	2006/2007	16/7/10
Firearm Licensing Authority	Statutory Body	2008/2009	23/7/10
Jamaica Intellectual Property	Statutory Body	2005/2006 2006/2007	17/8/10 8/10/10
Pesticides Control Authority	Statutory	2008/2009	13/10/10
Police Civilian Oversight Authority	Statutory	2008/2009 2009/2010	19/11/10 19/11/10
Export Division	Statutory	2008/2009	19/11/10

Figure 13 Unqualified Opinions Issued for Financial Statements

**RECEIPTS AND PAYMENTS**

Unqualified audit opinions were issued for the following:

ENTITIES	CLASSIFICATION OF ENTITIES	FINANCIAL YEAR	DATE OF CERTIFICATION
Private Security Regulations Authority	Statutory Body	2008/2009	21/7/10
National Library of Jamaica	Statutory Body	2006/2007	23/7/10
Professions Supplementary to Medicine	Statutory Body	2005/2006	14/9/10
Bath Fountain	Statutory Body	2000/2001	8/4/10
Enhancement of Basic Schools	Project	2008/2009	11/6/10

Figure 14 Unqualified Opinions Issued for Receipts and Payments

**PARISH COUNCILS**

Unqualified opinions were issued for the audits conducted at the following Parish Councils:

ENTITIES	FINANCIAL YEAR	DATE CERTIFIED
St. Catherine	2005/2006	6/1/10
Clarendon	2007/2008	6/1/10
St. James	2003/2004	8/6/10
	2004/2005	9/6/10
Trelawny	2005/2006	19/7/10
	2006/2007	10/6/10
Hanover	2007/2008	11/6/10
St. Ann	2005/2006	8/6/10
	2006/2007	8/6/10

Figure 15 Unqualified Opinions Issued for Parish Councils

**APPROPRIATION ACCOUNTS**

- 7.5 Two qualified opinions (except for) were issued for audits conducted at the Transport and Works and the Supreme Court. The reasons for the qualifications were as follows:

**Transport and Works**

Head No.	Financial Year	Date of certificate
6500	2008/2009	21/7/10
6500A	2008/2009	21/7/10
6500B	2008/2009	21/7/10

Figure 16 Qualified Reports Issued for Transport and Works

- 7.6 The explanatory statement of the causes for variation between approved estimates and expenditure was not submitted as required by the Financial Administration and Audit Act.

### **Supreme Court**

Head No.	Financial Year	Date of certificate
2829	2007/2008	11/5/10

- 7.7 No approval was obtained for expenditure for the year which exceeded the voted provision by \$3.4M. Section 116 of the Constitution of Jamaica was breached; this section requires Parliamentary approval for expenditure in excess of the sum provided for by the Appropriation Act.

- 7.8 Unqualified opinions were issued for all the following:

ENTITY	HEAD NO.	FINANCIAL YEAR	DATE CERTIFIED
H.E. Governor General & Staff	100	2008/2009	8/6/10
Office of the Services Commission	600	2008/2009	22/4/10
		2009/2010	22/7/10
Administrator General's Department	2830	2008/2009	9/7/10
Office of the Trustee in Bankruptcy		2007/2008	17/6/10
		2008/2009	17/6/10
Jamaica Information Service	4310	2008/2009	21/3/10
		2009/2010	23/4/10

ENTITY	HEAD NO.	FINANCIAL YEAR	DATE CERTIFIED
<b>Ministry of Tourism</b>	1700	2007/2008	3/9/10
	1700A	2007/2008	9/7/10
	1700	2008/2009	22/4/10
	1700A	2008/2009	9/7/10
<b>Ministry of Industries, Technology &amp; Commerce</b>	5200	2007/2008	3/9/10
	5200A	2007/2008	20/9/10
	5200B	2007/2008	20/9/10
<b>Ministry of Energy</b>	5600	2008/2009	15/9/10
	5600A	2008/2009	15/9/10
<b>Ministry of Energy, Mining &amp; Telecommunications</b>	5900	2007/2008	16/9/10
	5900A	2007/2008	3/9/10
	5900	2008/2009	20/9/10
	5900A	2008/2009	20/9/10
	5700	2008/2009	16/9/10
	5700A	2008/2009	16/9/10
	5700B	2008/2009	16/9/10
<b>Ministry of Finance &amp; the Public Service</b>	2000A	2007/20008	8/1/10
	2000	2008/2009	9/4/10
<b>Chief Parliamentary Counsel</b>	2833	2008/2009	13/5/10
<b>Ministry of Health &amp; Environment</b>	4200	2007/2008	15/4/10



ENTITY	HEAD NO.	FINANCIAL YEAR	DATE CERTIFIED
<b>Bellevue</b>	4234	2006/2007	30/3/10
<b>Ministry of Education</b>	4100	2004/2005	15/1/10
	4100	2005/2006	19/4/10
	4100	2006/2007	5/5/10
	4100A	2006/2007	20/4/10
	4100B	2006/2007	15/1/10
	4100	2008/2009	23/4/10
	4100A	2008/2009	21/4/10
	4100B	2008/2009	23/4/10
	4100B	2007/2008	14/7/10
<b>Ministry of Industry &amp; Tourism</b>	1700	2005/2006	5/1/10
	1700A	2005/2006	5/1/10
<b>Ministry of Labour &amp; Social Security</b>	4000A	2005/2006	16/4/10
	4000B	2005/2006	16/4/10
<b>Department of Correctional Services</b>	5239	2006/2007	14/1/10
	2624	2008/2009	15/1/10
<b>Family Court</b>	2826	2007/2008	11/5/10
<b>Ministry of Justice</b>	2800	2006/2007	17/6/10

ENTITY	HEAD NO.	FINANCIAL YEAR	DATE CERTIFIED
<b>Ministry of National Security</b>	2600	2007/2008	11/6/10
	2600	2008/2009	27/4/10
	2600A	2008/2009	27/4/10
	2600B	2008/2009	27/4/10
<b>Pensions Branch Provident Fund</b>	-	2007/2008	2/9/10
<b>Taxpayer Audit &amp; Assessment Department</b>	2041	2008/2009	23/2/10
<b>Inland Revenue Department</b>	2015	2008/2009	7/6/10
<b>Tax Appeals Department</b>	2042	2008/2009	8/1/10
<b>Ministry of Information, Culture, Youth &amp; Sports</b>	4300	2007/2008	21/1/10
	4300A	2007/2008	21/1/10

Figure 17 Listing of Unqualified Reports Issued for Ministries and Departments

## Part 8

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### SURCHARGE MATTERS

- 8.1 The purpose of this report is to highlight the status of surchargeable issues that were referred to the Financial Secretary over the periods April, 2007 to November, 2010 for imposition of surcharge against officers deemed negligent in carrying out their duties, resulting in losses to the Government.
- 8.1.1 Section 20 of the Financial Administration and Audit Act stipulates that upon a report by the Auditor General, the Financial Secretary may surcharge any person who is or was an officer who:
- failed to collect any money owing to the Government;
  - responsible for any improper payment of public funds or any payment that is not duly vouched;
  - is responsible for any deficiency in, or for the loss or destruction of, public moneys, stamps, securities, stores or other Government property.
- 8.1.2 Surcharges will be imposed on an individual if; within a period specified, a satisfactory explanation for such negligence is not submitted. The Act further states that: *“No surcharge can be made after the expiration of a period of three years from the date of committing the act.”*
- 8.1.3 Section 21 also stipulates that: *“the Financial Secretary should notify the Auditor General and the accounting officer of the department concerned of any surcharge made under Section 20.”*
- 8.1.3 For the periods 2007/2008 to 2009/2010, fourteen cases involving losses and improper payments totalling approximately \$13M were reported to the Financial Secretary for possible surcharge. [Appendix P]
- 8.1.4 Of the cases reported, surcharge of \$1.5M was imposed for five (5) of the cases involving losses/improper payments of \$6.3M. Recoveries of \$1.2M were made up to the date of this report. [Appendix P]
- 8.1.5 Three of the cases involving \$2.9M were withdrawn, two (2) because the three year limit had elapsed and the other, on the grounds that the guidelines were misinterpreted by the officers concern. [Appendix P]

- 8.1.6 Up to the date of this report, this Department was not notified of decisions made for four (4) of the cases involving \$1.5M. [Appendix P]
- 8.1.7 Surcharge action had previously been imposed against officers of Companies Office of Jamaica in two other instances for losses valued at \$1.9M of this amount, \$320,000 has been recovered to date. [Appendix P]

## Part 9

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### COMPLIANCE AUDITS

#### HEAD 0100 - HIS EXCELLENCY THE GOVERNOR GENERAL & STAFF

- 9.1 The audit of the captioned-Entity, for the year under review, revealed a generally satisfactory state of affairs. The weaknesses identified were all satisfactorily addressed.

#### HEAD 0200 – HOUSES OF PARLIAMENT (HOP)

10. The audit of the accounting records and financial transactions of the HOP revealed a generally satisfactory state of affairs.

#### HEAD 0300 – OFFICE OF THE PUBLIC DEFENDER (OPD)

11. The audit of the accounting records and financial transactions of the OPD revealed a generally satisfactory state of affairs.

#### HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL (OCG)

12. The audit of the accountancy records and financial transactions of the OCG revealed a generally satisfactory state of affairs.

#### HEAD 1600 - OFFICE OF THE CABINET

13. The audit of the Office of the Cabinet revealed a generally satisfactory state of affairs.

#### Management Institute for National Development (MIND)

14. The audit of the captioned Entity resulted in the issue of one (1) report which included four (4) separate matters to be resolved. The issues were satisfactorily addressed with the exception that a security contract which the entity entered into did not state its duration. Further, there was no evidence that MIND conducted an assessment to determine whether the terms of the agreement were still relevant to its needs. Payments totalling \$7.8M were made in respect of this contract, during the period under review.

**HEADS 1500, 1500A, & 1500B – OFFICE OF THE PRIME MINISTER AND AGENCIES**

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**Office of the Prime Minister (OPM)**

15. The audit of the OPM, for the year under review revealed a generally satisfactory state of affairs. The audit identified overpayments of salary totalling \$117,208, which were made to two members of staff. The office has since commenced recovery.

**Broadcasting Commission**

16. The audit of the Broadcasting Commission revealed weaknesses in their accounting procedures. Management has advised that steps are being taken to address this concern.

**Jamaica Social Investment Fund (JSIF)**

17. The audit of the captioned Entity, for the year under review, resulted in one audit report being issued which included seven (7) separate matters to be resolved. The issues were satisfactorily addressed, except that JSIF has not recovered, fully, overpayments of salary totalling \$157,780, which were made to nine employees.

**E-Learning Jamaica Company Limited**

18. The audit of the captioned Entity, for the year under review, resulted in the issue of one audit report which included seven (7) separate issues to be resolved. The following issues are outstanding:

**Financial Statements**

- 18.1 Up to the date of this report the audited financial statements for years 2007/2008 and 2008/2009 were not submitted to the responsible Minister, in accordance with Section 3 of the Public Bodies Management and Accountability Act. Management was advised to ensure compliance with the Act.

**Overpayments**

- 18.2 We identified that five (5) officers were overpaid amounts totalling \$18,198 because of the incorrect computation of overtime. The Agency has since taken steps to recover the amounts.

**Constituency Development Fund (CDF)**

19. We examined nine (9) economic enablement projects totalling \$22.7M that were implemented by way of revolving loan schemes with financial institutions. These projects were undertaken in six (6) constituencies.

- 19.1 Section 3.3.2 of the CDF Guidelines state that: ‘all projects approved by the CDF shall be implemented by a government agency whose scope of work is in line with the project to be implemented.’
- 19.2 Investigations revealed that the Constituency Development Fund Monitoring Unit (CDFMU) and the Ministry of Finance and the Public Service’s (MOFPS) approval were not obtained for entering into on-lending arrangements with six (6) non-governmental financial institutions.
- 19.3 The CDFMU did not present for audit scrutiny, copies of the on-lending agreements, between the CDF and the financial institutions, detailing the terms and conditions for the disbursement of funds to the financial institutions. This prevented an assessment of whether the following criteria were agreed upon before the disbursement of funds.
- The Auditor General’s right to have access to all records relevant to CDF benefits disbursed by the Financial Institutions in keeping with the directives of the Constitution.
  - Remittance or allocation of interest earned on the revolving loan fund.
- 19.4 The amounts disbursed under the loan revolving scheme to the financial institutions were reflected in the Appropriation Account as grants, instead of loans.
- 19.5 Four Million (\$4M) was disbursed between November 25, 2008 and February 17, 2009 to a financial institution for the execution of an Entrepreneurship Programme. Only one (1) status report covering two months was submitted by the implementing agency, in contravention of Section 6.1(i)<sup>3</sup> and (j)<sup>4</sup> of the CDF Operational Procedure. This requires submission of monthly progress reports to the CDFMU on the performance of all projects/activities and quarterly reports on the performance of the Fund at the constituency level.
- 19.6 Of the \$4M disbursed to the financial institution only six (6) loan disbursements were made amounting to \$300,000 as at January 2010. The facility appeared to be underutilised as the status report revealed that the undistributed balance as

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<sup>3</sup> Section 6.1(i) states that implementing agencies shall be responsible to submit monthly progress reports on the performance of all projects/activities being implemented.

<sup>4</sup> Section 6.1(j) states that implementing agencies shall be responsible to provide quarterly reports on the performance of the Fund at the Constituency level.

at February 28, 2010 stood at \$3.7M, representing 92.75% of the total amount on-lent.

- 19.7 As at April 23, 2010, the last monthly report submitted by another financial institution was for April 2009. This report did not include details regarding repayments and whether any of the beneficiaries were in arrears.
- 19.8 The Director of the CDFMU stated that the required monthly and quarterly reports were submitted via emails and efforts would be made to present same for review. However, up to the date of this report, they had not been presented.
- 19.9 Between March and September 2009, \$8.2M was disbursed to a financial institution in St. Catherine. Of this amount, \$7.3M or 89.39% remained undisbursed as at March 4, 2010. Further, nineteen (19) grants were made over the period April 2009 to February 2010 totalling \$285,000. Efforts to ascertain the criteria for disbursing grants proved futile and as such, we could not assess whether grants were made to bona fide participants in accordance with the CDF Guidelines.
- 19.10 The failure of the CDFMU to present on-lending agreements outlining the responsibilities of both parties, and the late and non- submission of the monthly and quarterly progress reports prevented a determination of:
- the utilisation of the undistributed funds by the financial institutions;
  - the parties involved in the on-lending agreements;
  - whether the funds were registered at the financial institutions in the name of the Office of the Prime Minister and/or CDFMU; and
  - the treatment of interest earned.
- 19.11 The CDFMU has not revised the CDF Procedural Guidelines despite their commitment to do so.



**National Land Agency (NLA)**

20. The audit of NLA revealed a generally satisfactory state of affairs. The agency indicated that steps would be taken to resolve the weaknesses we reported.

**Jamaica Information Service (JIS)**

21. The audit of JIS revealed a generally satisfactory state of affairs. JIS addressed the issues except that they have not fully recovered overpayments totalling \$33,861 made to three employees.

**National Solid Waste Management Authority (NSWMA)**

22. The audit of the captioned Entity resulted in one (1) audit report being issued with fifty (50) separate items to be resolved. The following are the outstanding matters:

**Outstanding Financial Statements**

- 22.1 Management failed to honour its stewardship responsibilities to submit the audited financial statements for the years 2005/2006 to 2009/2010, to the Portfolio Minister to be laid on the Table of the Houses of Parliament. This is recurrent, despite being the subject of the Auditor General's report for 2006/2007 to 2008/2009, and assurance given to the Public Accounts Committee in March 2009 that the financial statements relating to 2005/2006 to 2007/2008 would have been resolved by May 2009. Management was again reminded that this prevents meaningful analysis of the Entity's financial affairs.

**Salary overpayment**

- 22.2 Seven (7) persons were overpaid \$75,078; due to errors in the calculations of redundancy payments and salary in lieu of vacation leave. The Authority was advised to implement an efficient system of internal check to ensure adherence to the relevant government accounting procedures, and to recover the amounts in question.

**Non-deduction of tax - Motor Vehicle Benefit**

- 22.3 Three senior executives were overpaid \$116,129 because of the NSWMA's failure to compute and deduct the statutory deductions from their salaries for the deemed benefit associated with being assigned fully maintained vehicles.

**Accounts Receivables**

- 22.4 The un-audited records disclosed that the receivables as at March 31, 2010 was \$7.4M. Of this amount, 84% was outstanding in excess of 90 days.

**Accounts Payables**

- 22.5 The payables balance as at March 31, 2010 was \$5,908,276; of this amount, \$2,899,416 remained outstanding for over 60 days. However, the reliability of the balance disclosed was questionable as numerous discrepancies were apparent with the accounting received.

**Non-maintenance of Operational Efficiency Records**

- 22.6 Contrary to the Ministry of Finance's guidelines, the requisite Operational and Efficiency Record was not maintained for any of the vehicles under the Authority's control. Management was advised that failure to maintain the records will hinder its ability to determine whether the costs to operate the vehicles were economical.

**Stores Management**

- 22.7 During the period under review spare parts valued at \$80,850 were stolen from a storage container. We noted that the storage container was in a state of disrepair. The incident was not reported to the Financial Secretary as required by the MOFPS guidelines. Further, the Stores management duties were insufficiently segregated and stock cards were not maintained for consumables; thereby, increasing the susceptibility of the stock items to misappropriation.

**Advance Debit Cards**

- 22.8 The odometers for several motor vehicles were still not working despite the NSWMA's assurance to the AGD and the PAC that the matter would be addressed. Further, receipts to substantiate \$228,727 in fuel cost were not presented. We recommended that disciplinary action be taken against the officers who fail to submit fuel receipts and that the odometers are repaired.

**North Eastern Parks and Markets (NEPM)****Advance Debit Cards**

23. Contrary to the Ministry of Finance's guidelines, a register to record the issue and receipts of Debit Card was not maintained. Fuel costing \$60,500 was utilised by two trucks which were reported "out of service." Also, the odometers for three (3) vehicles were not working.

**Bank Reconciliation**

- 23.1 NEPM's cash management was in need of improvement. The audit revealed un-reconciled balances for two (2) bank accounts. Contrary to the Ministry of Finance's guideline, one account was overdrawn by \$4,798 in January 2010, and

the Cashier failed to recover \$35,530, in respect of a dishonoured cheque and bank charges. NEPM was advised to investigate the discrepancies and where necessary; amend the records, monitor the bank accounts to prevent further overdrafts and to recover the amount in respect of the dishonoured cheques.

### **Creative Production And Training Centre (CPTC)**

#### **Advances And Loans**

24. Several breaches of the Ministry of Finance's approved Loan Policy for CPTC were noted. Two (2) loans were granted to an officer before she was eligible to receive the benefit based on her length of employment with the Entity. The officer was also given a loan in excess of the \$50,000 stipulated by the policy.
- 24.1 Several instances were noted where sales representatives who were contracted to be paid based on commission, were awarded loans. This was in breach of the "Securities" section of the loan policy, which indicated that loans must be adequately collateralized. Management was advised that the approved loan policy must be adhered to in order to avoid loss to the Entity.

#### **Bank Statements**

- 24.2 The CPTC failed to acquire bank statements in relation to their Point of Sale account. It was noted that the account was used to receive payments by debit or credit card at the Entity's Accounts Office. It was also used to make electronic payments to supplier's bank accounts. Management was advised that failure to acquire the official bank statements could hinder the successful resolution of differences, between the account balance at the bank and the records maintained at CPTC. Management has advised that the statements have been obtained.

### **Jamaica Fire Brigade (BRIGADE)**

25. The audit of the Brigade revealed several weaknesses, which require management's prompt attention. The following were the major issues:

#### **Inadequate Control Systems - Payment Procedures**

- 25.1 Payments totalling \$1.07M were made without the support of original invoices. The Brigade was advised to address the deficiency.

**Salary Overpayments**

- 25.2 Three (3) officers were overpaid salary totalling \$494,522. We identified weaknesses in the payroll process that may have contributed to the overpayments. These were brought to the Brigade's attention in previous reports. However, the weaknesses remain unresolved.
- 25.2.1 Further, thirteen (13) officers were overpaid amounts totalling \$566,305, because they were paid for leave for which they were not entitled. We advised management to take corrective measures to ensure adherence to the Staff Orders and to recover the sums overpaid.

**Lack of Internal Controls to Govern Investments**

- 25.3 Management did not demonstrate a willingness to improve the system of controls surrounding its investment. Despite being the subject of my report for 2008/2009, no steps had been taken to govern the Brigade's investment portfolio of 11.5M. Consequently, the audit could not verify the accuracy and completeness of the record. Also, the interest earned on investments could not be verified because of the absence of bank statements.

**Breach of Procurement Procedures**

- 25.4 The Brigade did not comply with the Government's procurement guidelines for the award of a contract to rehabilitate a truck for the amount of \$3M.

**Absence of Contract**

- 25.5 A formal contract was not in place between the Brigade and a company which provided accommodation and meals at a cost of \$ 21.2M for firemen in training.

**National Environment and Planning Agency (NEPA)**

26. The audit of the captioned- Entity, for the year under review resulted in the issue of one audit report which included seven separate issues to be resolved. The outstanding concerns are detailed below:

**Contracts**

- 26.1 A contract valued at \$1M was awarded by the Agency to relocate the Finance Branch. However, there was no evidence that the Chief Executive Officer approved variation costing \$397,478 to the original scope of the work, as required by the Revised Hand Book of Public Sector Procurement (RHPPP). Management was advised to ensure future compliance with all the

requirements of the Procurement Guidelines in order to protect the Agency's interest.

### **Fixed Assets**

- 26.2 Despite being the subject of two previous Audit Inspection Reports, there was no improvement in the controls exercised over the Agency's fixed assets. Consequently, fixed assets costing \$15.6M acquired during the period under review were not included in the requisite inventory records, assets assigned to locations were not always in agreement with the Location Records, and there was still no evidence that the records have been updated and reconciled since 2007. There was also no indication that the Agency conducted periodic internal checks of these records, and management failed to provide the value of assets stolen. The Entity was advised to take urgent steps to bring the inventory records up-to-date, and to provide the value of the assets stolen, to ensure that the assets are adequately safeguarded, the accuracy and completeness of the records, and compliance with the guidelines.

### **Overpayment of Salaries**

- 26.3 Five (5) officers were overpaid amounts totalling \$236,828; resulting from incorrect computation of vacation and no pay leave, as well as travelling allowances. At the date of this report \$226,903 was recovered, leaving a balance of \$9,926. Management was advised to monitor the recovery of the unrecovered amounts, also to implement a system of internal check in order to ensure that errors and irregularities are detected early.

**HEADS 2000, 2000A - MINISTRY OF FINANCE AND THE PUBLIC SERVICE (MOFPS) AND AGENCIES**

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27. The Ministry's accounting records revealed weaknesses in the control procedures governing some key activities. These weaknesses exposed it to the risk of financial loss and also resulted in us not being able to substantiate the authenticity and propriety of certain transactions. The main concerns are detailed below:

**Overpayment of Salaries**

- 27.1 Fourteen officers were overpaid salary and travelling allowances totalling \$544,631. We advised the Ministry of the weaknesses identified during the audit and recommended measures that maybe taken to resolve same. The Ministry has since commenced recovery.

**Bank Reconciliation**

- 27.2 The reconciliation of a bank account was six (6) months in arrears; section 6.8 of the Financial Instructions stipulates that Departmental Bank Accounts should be reconciled monthly and at the end of the financial year. Also, errors were identified during our examination of reconciliation statements for three different bank accounts. The Ministry was advised to address the deficiencies to reduce the risk of errors and or irregularities.

**Advance Debit Cards**

- 27.3 Supporting receipts and the authorized drivers' signatures were not presented to authenticate fuel transactions totalling \$59,522; therefore, we could not ascertain whether the purchases were for authorized vehicles. Additionally, the register used for the advance debit cards was not faithfully maintained; it was last updated in November, 2009. These weaknesses breached the MOFPS Circular No. 11 dated July 7, 1999. MOFPS was advised to take the necessary corrective action.

**Tuition Refund**

- 27.4 It appeared that no bond agreements were executed for three (3) officers who were granted tuition refund totalling \$1.3M. The Ministry's Circulars No. 20 and No. 7, dated March 2, 2009 and September 21, 2009 respectively, requires the execution of bond agreement as a condition for tuition refund. Additionally, we

could not determine whether five (5) officers, who were granted refunds totalling \$1.6M met the qualifying criteria, as the academic certificates were not seen. Management was advised to ensure that the bond agreements are completed and certified copies of awards retained for audit scrutiny.

### **Furniture Inventory**

- 27.5 The furniture inventory record was not updated to reflect acquisition totalling \$1.4M. The Ministry did not maintain adequate fixed assets register such as, the location and Machines and Equipment records. These weaknesses violated the Government's guidelines and undermined management's ability to effectively account for assets under its control. Compliance with the prescribed inventory procedures was recommended.

### **Absence of Contract**

- 27.6 For the period under review, payments totalling \$50M were made to the Urban Development Corporation to manage the Jamaica Conference Centre despite the absence of a valid contract. Management was advised to regularize this business arrangement as its interest would not be protected in the event of non-performance.

### **Procurement Breaches**

#### **Variation**

- 27.7 An amount of \$384,672 was paid in July, 2009 for variation work done on an original contract that was executed in August, 2008 at the Financial Investigations Division. However, approval for this variation was issued in May, 2009 after the work was completed. This practice was in breach of Subsection 2040 (VII) of the Government's Procurement Guidelines and could result in the Ministry incurring cost overruns. Compliance with the quoted guidelines was recommended to prevent future occurrence.

#### **Sole Source**

- 27.8 An amount of \$9.1M was paid for consultancy service offered between May to September, 2009, to review the operations of Fiscal Services Limited. The contract was reported to have been awarded on a sole source basis. However, it could not be determined whether the criteria for sole source were satisfied. There was also no evidence that the approval of the NCC was obtained. This violated Subsection S2040 (E) of the Government's Procurement Guidelines.

**Revenue Transactions**

- 27.9 We identified that Non-Tax Revenue paid over to the Accountant General's Department were incorrectly classified as Miscellaneous Revenue. This resulted in an overstatement by \$91M of Miscellaneous Revenue and understatement of Non-tax revenue by the same amount. Incorrect classification may have also contributed to variances between the actual revenue collected and that which was reported in Statement XV: *Details of Revenue and Loans*

**DEBT MANAGEMENT UNIT****Un-presented Supporting Documents**

- 27.10 We could not substantiate the authenticity of interest payments made, totalling \$611,311 and US\$740. Further, the Ministry failed to present 34 certificates and cheques totalling \$861,057, which were reported as spoiled and unclaimed respectively. Additionally, the unclaimed cheque register was not updated to reflect nine (9) cheques totalling \$986,565. It was recommended that proper internal controls be instituted to address these concerns.

**Fiscal Services Limited (FSL)**

28. The audit of the accounting records and financial transactions of the FSL revealed the following issues:

**Overpayments of Salaries and Allowances**

- 28.1 The FSL did not obtain the approval of the Ministry of Finance, for incentive payments made to two senior officers and travelling allowances made to Thirteen (13) officers; this action contravenes section 20 of the PBMA Act. The amounts overpaid totalled \$3.4M. We advised FSL to seek the requisite approval from the MOFPS or to recover the sums deemed to be overpaid.

**Lack of adequate Motor Vehicle Control**

- 28.2 The requisite quarterly Operational Efficiency record was not maintained for each vehicle under the control of the Entity. This contravened the Ministry of Finance and Planning's Circular number 13 dated July 23, 1984 and undermined management's ability to determine whether its resources were being used efficiently. FSL has indicated that steps have been taken to implement our recommendation to address this issue.



**Advance Debit Cards Fraud**

- 28.3 The Internal Audit Unit identified that the abuse of fuel cards by two drivers resulted in a loss of approximately \$368,000. We advised management to implement and monitor the controls recommended by the Internal Auditor.

**Absence of Investment Policy**

- 28.4 FSL does not have an approved investment policy despite several communications to them informing that this is a requirement of the Ministry of Finance and Public Service. Approximately J\$27M was invested for the period under review.

**Head 2000 – Provident Fund Account**

29. The audit of the accounting records and transactions of the Provident Fund revealed a generally satisfactory state of affairs.

**Head 2011 – Accountant General's Department (AcGD)**

30. The audit of the Accountant General's Department revealed weaknesses in the system of internal controls, maintenance of accounting records and failure to conform to government guidelines. Arising from the audit fifteen (15) reports were issued, which included sixty-eight (68) separate issues. The following significant issues remained unresolved.
- 30.1 The under-mentioned financial statements were not submitted for audit. This constituted a breach of Section 24H of the Financial Administration and Audit Act, which requires these Statements to be presented within four (4) months after the end of the financial year.

STATEMENTS	OUTSTANDING YEARS	REMARKS
A- Current Assets and Liabilities of the Government	2009/2010	
C- Actual Expenditure from the Consolidated Fund	2009/2010	2007/2008 and 2008/2009 returned for corrections
D- Public Debt of Jamaica- Internal Portion	2009/2010	
D- Public Debt of Jamaica- External Portion	2009/2010	
E- Advances from the Consolidated Fund- <b>Miscellaneous Loans</b>	2009/2010	2005/2006 to 2008/2009 returned for corrections
E – Advances from the Consolidated Fund- <b>Computer Loan</b>	2009/2010	
F- Capital Investment of the Consolidated Fund	2008/2009 2009/2010	
G- Balance held by the Accountant General on Deposit	2009/2010	
I- Outstanding Loans or Credits Guaranteed by Government	2008/2009 2009/2010	

Figure 18 Outstanding Financial Statements

## Statement Discrepancies

### Statement E

30.2 The examination of Statement E- Advances and Loans from the Consolidated Fund for the year ended March, 2009 revealed discrepancies in the administration of the Miscellaneous and Computer Loans portfolio. We advised the Accountant General that these discrepancies, if not addressed, may deplete the funds earmarked for loans and advances; thus forcing management to decline the request of applicants. Also, the Consolidated Fund is not being replenished with sums withdrawn from it within the time agreed upon. As shown below, borrowers owe the Consolidated Fund approximately \$10.8M.

### Miscellaneous and Computer Loans

30.3 We identified that five hundred and fifty one<sup>5</sup> borrowers, in total, were delinquent with their loan repayment for miscellaneous and computer loans with outstanding balances of \$8.35M and 2.48M respectively. Seventeen (17) instances were noted where the requisite interest was not charged to the borrowers' accounts; resulting in outstanding interest of \$220,148.

30.3.1 Also, in another seventeen (17) instances loan repayments did not commence in accordance with the salary deduction orders. Delays ranged from 2 to 41 months after the loans were disbursed.

30.3.2 We identified discrepancies with the accounting records involving amounts totalling \$265,818, which were communicated to the Accountant General's Department for corrective action.

### Statement B- Actually Paid into the Consolidated Fund with the Estimates

#### Statement I - Outstanding Loans/ Credits Guaranteed by Government

30.4 Statements I<sup>6</sup> and B<sup>7</sup> that were submitted to me for certification were not accurate. Consequently, they were not certified. The numerous errors identified were communicated to the Accountant General's Department for corrections.

### Breaches in Procurement Procedures

30.5 The Internal Audit unit reported breaches of the Procurement Guidelines related to the engagement of a company to supply and install a PBX Telephone System at a cost of US\$58,586 (J\$3,983,882). Our examination of the process revealed that its transparency and objectivity were impaired because the responsible officers failed to comply with the Procurement Guidelines.

30.5.1 The main concerns are:

#### Absence of Procurement Minutes

30.6 The minutes of Procurement Committee were not prepared therefore we could not determine the basis on which the company was selected. This failure of the

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<sup>5</sup> 431 – Miscellaneous Loans

120 – Computer Loans

<sup>6</sup> Financial Years 2005/ 2006- 2007/2008

<sup>7</sup> Financial Years 2007/2008 – 2008/2009

Committee to document the deliberations breaches section 15.2.3 of the July, 2001 Procurement Guidelines<sup>8</sup>.

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<sup>8</sup> Stipulates that, the PC is mandated to maintain proper record of committee meetings, including records of procurement; proper minutes must also be recorded and maintained for each meeting.

**Absence of Contract**

- 30.7 A written contract was not in place as required by Section 5.1.2.6(d) of the Public Sector Procurement Guidelines. In the absence of a formal contract the rights and obligations of the contracting parties will not be known.

**Procurement Opportunity not Advertised**

- 30.8 The procurement opportunity was not advertised in accordance with Section 5.3.4 of the Procurement Guidelines. Consequently, the objectivity and transparency of the process was impaired.

**Failure to secure Deposit**

- 30.9 The deposit of US\$23,532 paid to the contractor was not secured in keeping with Section 6.2.2.13 of the Procurement Guidelines.<sup>9</sup>

**Outstanding Interest**

- 30.10 The telephone system was installed and is currently being used by the Accountant General's Department. However, the supplier has not been paid and has claimed US\$39,455 or J\$2,349,968<sup>10</sup> in interest charges for the period January, 2009 to July, 2010. The invoice stated that "Balance outstanding beyond 30 days attracts interest charge of 5% and an additional 2 % every 15 days thereafter. There was no evidence that this was agreed prior to the award of the contract. The Department was asked to use all possible means to resolve the matter.

**Weakness in the Management of Fixed Assets**

- 30.11 The inventory record was not updated to reflect assets purchased totalling \$549,990. We also identified weaknesses that further compromised management's ability to readily account for the assets under its stewardship such as; insufficient physical independent checks of the assets and failure to ensure that all the inventory records are properly updated.

- 30.11.1 Also, motor vehicle log books were not maintained in accordance with the Ministry of Finance's guidelines. As a result, lubricant purchased at costs totalling \$56,486 was not recorded therein. We advised the AcGD that these

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<sup>9</sup>Section 6.2.2.13 of the Procurement Guidelines states: "All advance payments offered under contracts must be completely guaranteed by an advance payment security."

<sup>10</sup> US\$1 :J\$86.00

breaches will foster misuse of the Department's fleet vehicles and impair their ability to determine whether the vehicles are being used efficiently.

#### **Un-cleared Advances**

- 30.12 We observed that advances amounting to \$414,757 remained un-cleared; of this amount, \$220,693 was being carried from as far back as 1999/2000. Management was urged to promptly clear these amounts to reduce the possibility of financial losses and understatement of the Department's reported expenditure.

#### **Bank Reconciliation Arrears – Pension Account**

- 30.13 Reconciliation of the Main Pension bank account was eight (8) months in arrears. The AcGD was advised to implement measures to reduce the risk exposure and bring it into compliance with Section 6.8 of the Financial Administration and Audit Act Instructions.

#### **Pension Cheques**

- 30.14 A surprise cash inspection conducted revealed that there were numerous signed cheques in the cashier's possession. An analysis of four hundred and forty two (442) of these cheques totalling \$8.82M disclosed that 231, totalling \$4.4M were stale dated; with dates as far back as 1995. In addition, access to uncollected pension cheques was not restricted to the custodian. This situation exposes the AcGD's system to fraud. Also, unlimited access will impair AcGD's ability to determine who is culpable if cheques are misappropriated.

#### **Pension Payments**

- 30.15 Discrepancies were noted in the calculation of income tax for 87 pensioners; this resulted in short deduction of Income Tax totalling \$2.1M. Five (5) pensioners were not paid increases and consequently owed \$82,075; while incorrect income tax threshold was applied to the pension payments of five (5) other pensioners, resulting in underpayments.

#### **Annual Returns**

- 30.16 Annual Returns for monthly paid pensioners were prepared up 2005. This constituted a breach of the Income Tax Act, which requires that employers submit an annual return of Income Tax deducted from employee's emoluments by January 14 of the following year. It was recommended that the outstanding

Annual Returns be prepared and submitted to the Tax Authority at the earliest possible time and in future should be submitted within the statutory period.

### Head 2012 – Jamaica Customs Department

31. A total of six (6) audit reports were issued to the Jamaica Customs Department. The following matters remained outstanding:

#### **Contracts**

- 31.1 The audit identified deficiencies with a contract, which governed the engagement of a security consultancy services firm. The contract did not indicate the sums payable. However; we noted that the firm was paid amounts totalling \$8.9M. Further, there was no evidence that the requisite approval of the National Contracts Commission was obtained for the sole source procurement method used, and that the Accounting Officer approved this expenditure in keeping with Section 5.37 of the Financial Administration and Audit Act Instructions.

#### **Uncleared Advance**

- 31.2 An advance of \$122,130 made on April 9, 2009 for hotel accommodation remained outstanding. As a result, the audit could not determine whether the funds were used for the intended purpose.

#### **Weak Control Procedures -Fuel Advance Debit Cards and Fleet Vehicles**

- 31.3 Improvements were needed in the controls exercised over the advance debit cards used to purchase fuel and the maintenance of motor vehicle log books. In some instances, the logbooks were not updated to record the reason for the use of fleet vehicles. We identified discrepancies between the speedometer readings and the information recorded in the logs and the service station receipts. These shortcomings breached the Ministry of Finance's guidelines and the JCD was advised that these may foster abuse. The JCD has since advised that our recommendations were accepted and steps are being taken to ensure Compliance with the prescribed guidelines.

#### **Revenue Deposits**

- 31.4 The Department neither maintained an aged deposit schedule nor did they update the deposit registers. Consequently, we could not determine the

amounts being held on deposits, the period of time they were being held and whether amounts should have been recognized as revenue.

#### **Crown Overtime Payments to Annually Paid Staff**

31.5 Overtime payments were made to members of staff, including Senior Directors, contrary to the Ministry of the Public Service Circular number 15 dated May 21, 1976, which prohibits the payment of overtime to annually paid staff. From a sample of Crown overtime payments totalling \$9.7M paid during September to October, 2009, \$9.2M were made to annually paid officers. The approval of the MOFPS was not presented, therefore, we view these payments as unauthorized. This practice was also not in keeping with Section 6.7.4 of the Staff Orders.<sup>11</sup> The Department was advised to discontinue the payments of overtime until the specific approval is obtained from the Ministry of Finance and the Public Service.

31.5.1 Thirty Five instances of overpayments totalling \$72,660 were identified. These occurred because overtime hours or rates were overstated and in some instances overtime was already paid on Private overtime claims submitted by the claimants.

31.5.2 There was no evidence to support Overtime payments totalling \$124,391 made to thirteen [13] officers. The attendance records did not indicate that they were at work on the specified dates. Consequently, we advised JCD to investigate the instances and recover the amounts that were improperly paid.

31.5.3 It appeared that the JCD did not obtain the approval of the Ministry of Finance and the Public Service for a unique overtime policy that existed in the Entry Processing unit. We noted where one hour of overtime was paid for every 16 lines processed in excess of a 120 lines processed per day. Arising from this arrangement, one (1) officer was paid \$123,106 for July and August 2009.

#### **Extraordinary Working Hours**

31.6 Thirty-nine (39) instances were noted where officers worked in excess of eighteen (18) hours per day. One (1) officer's claim indicated that she worked continuously for fifty-one and a half (51½) hours over the period June 12–14, 2009 at the Montego Bay Container station. In one of the cases noted, a senior officer was paid over \$750,000 for 916 hours of overtime; every day (31 days) in July, 2009

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<sup>11</sup> The Permanent Secretary/Head of Department's approval must be sought well in advance of the commencement date and should indicate particulars of work to be done, a work plan, the reason for exercise, the proposed duration, the number and category of staff involved and an estimation of costs.



and twenty-eight (28) of thirty-one (31) days in August, 2009. It was recommended that these extraordinary circumstances be reviewed and recovery effected, where necessary.

#### **Private Overtime**

31. Documentary evidence was not presented to indicate that Private overtime payments amounting to \$5.4M representing 164 invoices, for the period April to July, 2009 was recovered from the various airlines and vessels. Of this amount, \$4.5M relates to Air Jamaica.

#### **Temporary Importation**

- 31.8 My 2008/2009 report highlighted 92 instances where items were being imported in the island under temporary importation entries. However, there was no evidence that the items were exported after the 3-month period had elapsed.<sup>12</sup> Subsequent verification disclosed that of the 92 cases cited, twenty [20] remained outstanding, which had associated duties payable totalling \$61.7M. It was also noted that the deposits required for temporary imports were waived in most cases. However; the authority for doing so was not presented. Management was asked to investigate all cases and provide proof of export or take steps to recover the duties payable.

#### **Private-bonded Warehouses - Fuel**

- 31.9 The JCD did not provide evidence that it received duties totalling \$79.3M from fuel importers in relation to warehoused fuel sold by the fuel importers.

#### **Discretionary Waiver granted to Road Works Contractor**

- 31.10 Discretionary waivers of \$34.75M were granted for 2M litres of fuel that was imported during the period May to July, 2009 on behalf of one of the contractors engaged to construct a phase of the Northern Coastal Highway. However, no evidence was presented to confirm that the Contractor received the total quantity of fuel imported. We were therefore not able to satisfy ourselves that the goods were not diverted for sale on the commercial market.

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<sup>12</sup> The Customs Act requires that the items be exported three month after the original import date.

**Head 2015 – Inland Revenue Department****Emoluments**

32. Three (3) officers were overpaid amounts totalling \$24,243. Also, we did not see the requisite approval from the MOFPS for the employment of forty-seven (47) persons in excess of the approved establishment. This constituted a breach of the Civil Service Establishment Act and management was advised to obtain the requisite approval and recover the amounts overpaid.

**Contracts and Payment Vouchers**

- 31.1 We found that two contract agreements, under which payments totalling \$110M were made bore no expiration date; one of which was not approved by Cabinet (\$94M).

**Absence of a Formal Motor Vehicle License Plates Contract**

- 32.2 Despite being the subject of my previous report, payments totalling \$50.4M were made during the period, to a contractor for supplying licence plates without a formal contract and the requisite approval from Cabinet. We reminded the IRD that this constitutes a breach of the Government's Procurement Guidelines, and will deprive the Department of legal recourse in the event of the contractor's non-performance.

**Travelling Allowances and Mileage Payments**

- 32.3 Contrary to MOFPS Circular number 40 dated September 25, 2008, travelling allowances and mileage payments, totalling \$315,446 were made to six (6) officers over the period April, 2009 to January, 2010, without evidence of a certificate of fitness, motor vehicle registration and insurance certificate for the vehicle used to make the claims. Therefore, we could not determine whether these officers were entitled to the allowances they received; as such, management was advised to obtain the motor vehicle documentation or recover the amounts paid.

**Store Management Deficiency**

- 32.4 We found significant weaknesses in the system of controls governing the Stores. Management was informed that the stock records were not faithfully maintained, and that this resulted in numerous differences being identified between the stock records and physical count conducted. Further, the IRD was advised that the weaknesses may have contributed to the disappearance of two

(2) teslins, thirteen (13) blank motor vehicle titles and 1,500 motor vehicle registration certificates. The store management deficiency was pervasive throughout the other collectorates<sup>13</sup> we visited. Management was advised to implement proper control in this area to mitigate financial loss and illegal activity.

#### **Poor Cash Management Bank Reconciliation**

32.5 Bank accounts were not reconciled in the time period required by Section 24 of the Financial Administration and Audit Act (Regulations 1996)<sup>14</sup>. As at November 2010, reconciliation of one of the Department's bank account was six (6) months in arrears. We reminded the IRD that it will be difficult to identify errors and irregularities if the account is not promptly reconciled and encouraged that the reconciliation be brought up to date.

#### **Outstanding Lodgements**

32.6 As at November 30, 2010, the Lodgement in Transit registers for two of the Department's accounts was not updated beyond May and June, 2010. Outstanding lodgements of \$85.6M was also noted; some of which have been outstanding from as early as, 2000. This situation may lead to errors and irregularities not being detected in a timely manner and revenue not properly brought to account. Management was advised to bring these registers up-to-date and to sustain dialogue with the bank to address this issue.

32.6.1 The audit noted that the IRD has three points of sale machines- each machine is specifically designated to process NIS, Heart and IRD dues separately. However, we found that the IRD cashiers consistently used the IRD designated machines to collect NIS and Heart. This resulted in collections of NIS and HEART contributions totalling \$575,299, being incorrectly credited to one the Department's bank account, instead of to the respective agencies accounts. Additionally, one of the Department's bank account reflected an erroneous credit of \$12.8M, which was reported to be NIS and HEART contributions incorrectly lodged to IRD's account. We were concerned that the reversals were not being done promptly and that this may result in the IRD's revenue being overstated.

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<sup>13</sup> Linstead, Christiana and Port Antonio Collectorates

<sup>14</sup> Requires official bank accounts to be reconciled monthly and at the end of each financial year;

- 32.6.2 The scope of the audit was limited, as lodgement documentation for the month of December, 2009 for the Jackson Town Tax Collectorate was not presented for audit inspection.

#### **Weak Control Governing Advances**

- 32.7 The controls governing advances were not operating effectively, which resulted in numerous discrepancies between the control accounts and subsidiary ledgers. Also, outstanding balances totalling \$10.9M were noted on nineteen (19) accounts, as at January 2010; with some coming from as far back as, 2005. An unexplained difference of \$32.4M was noted between the General Ledger balance and the Aged Listing report, and credit balances totalling \$2.9M were also being carried from prior periods.

#### **National Motor Vehicle Registry (NMVR)**

##### **Modifications on the Motor Vehicle System**

33. We identified that changes were made to the year of manufacture for forty-five [45] motor vehicles. However, source documents were only presented to substantiate twenty-three (23) changes. Twenty-two (22) of the changes modified the year of manufacture to reflect an earlier model even though the import entry reflected a later model year. We are of the view that amendments of the vehicle year may be a method used to circumvent the Custom's Department restriction on the importation of older vehicles.
- 33.1 In addition to the above, source documents were only presented for one hundred and twenty two (122) of three hundred and thirty-nine (339) modifications noted from the sample selected.
- 33.2 We could not determine whether authorized officers effected changes to seventy-five (75) motor vehicle chassis numbers, as the Automated Motor Vehicle System (AMVS) was not designed to identify the user executing the modifications. After enquiries were made, the Inland Revenue Department reported that all the instances cited were modified by the authorized officers at the NMVR. Management was advised that the inadequacies in the audit trail of the AMVS will heighten the risk of unauthorized changes to the records, thereby reducing the integrity of the database. We advised the IRD to review and determine the authenticity of the changes made to chassis numbers and the

manufacture year of the motor vehicles. IRD indicated that they have since written to Fiscal Services Limited to make the necessary adjustments.

#### **Control over Blank Motor Vehicle Titles**

- 33.3 IRD was advised to strengthen the controls surrounding blank motor vehicle titles to reduce the possibility of misuse. The audit revealed that one thousand [1,000] blank titles issued from the Inland Revenue Department's Stores were not recorded in the disbursement register.

#### **Certificate of Fitness**

- 33.4 The Island Traffic Authority indicated that a Certificate of Fitness should only be issued for six months for public passenger vehicles and up to eighteen (18) months for private vehicles. A review of a sample of vehicle information on the AMVS, indicated that eighty-three (83) motor vehicles were issued with Certificate of Fitness in excess of eighteen months; one of the vehicles, a 1991 Toyota Corolla reflected a Certificate of Fitness for a period of thirty-seven (37) months. This situation not only reduces government revenue intake but may facilitate the operation of unfit.

#### **Failure to Cease Use of INCRS 1.6**

- 33.5 The IRD gave a commitment at the PAC that the use of the Integrated New Cash Remittance System (INCRS) 1.6 cashiering system will be limited to four (4) Collectorates by December 2009. However, this system was still in use at nine (9) Collectorates. We found that the compensating controls instituted at the Port Antonio Collectorate were circumvented on several occasions. Again the IRD was reminded that the continued use of the INCRS 1.6 cashiering system will foster corrupt practices and should be phased out immediately to benefit from the controls under the INCRS 2.0 cashiering system.

#### **Dishonoured Cheques**

- 33.6 We found that the failure of the tax collectorates of Christiana and Portmore to comply with the Ministry of Finance's guidelines regarding acceptance of cheques, resulted in dishonoured cheques totalling \$13.1M<sup>15</sup> ( and associated bank charges of \$43,500), which were tendered during the calendar year, 2009. It was further noted that of the \$13.1M, \$7.3M related to two (2) taxpayers who tendered a total of nine (9) dishonoured cheques.

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<sup>15</sup> \$11M has since been recovered.

**HEAD 2042 -Taxpayer Appeals Department****Delays in the Processing of Appeal**

34. The audit determined that the appeals were not processed in a timely manner. In many instances a period of nine to twelve months elapsed before processing commenced. The records of the Department disclosed that between the period April, 2009 and March, 2010, one hundred and seventy four (174) appeals were received. However, as at August, 2010 only 43 (25%) were completed, eighty-seven [87] or 50% were work-in-progress and processing did not commence on thirty-seven [37]. This was in breach of the Taxpayers Appeals/Disputes and Waiver Process Manual April 2007, which prescribed a time limit of six (6) months for the processing of appeals. We informed management that corrective measures were necessary to address the deficiency. The TAD indicated that the deficiency should be addressed during its reorganization exercise.

34.1 Eight (8) appeals were processed although the respondents failed to file a notice of appeal within thirty days of receiving the notice of decision, as required by section 19(3) of the Revenue Administration Act, Regulations 2002. The delays ranged from three (3) to twenty-five (25) months. The TAD did not provide an explanation to support its breach of the Regulations.

**Deficiencies in Waivers and Appeals Tracking System**

34.2 We found that the Waivers Appeal Tracking System (WATS) was not updated to reflect all the pertinent information.

34.2.1 In two (2) cases noted, the WATS indicated that 100% waivers, totalling \$16.2M were granted. However, the supporting documentation indicated that no approval was granted.

34.2.2 In the other instances we observed where the supporting documents indicated that interest of \$972,927, stamp duty and transfer tax of \$612,545,

were waived; however, the WATS reflected that total waivers payable as \$3,407,720

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- 34.2.3 Numerous duplicate entries of both waivers and appeals applications were seen on the system. The TAD did not ensure that the records relating to the waivers and appeals process were subject to review by a senior officer. TAD was informed that the current deficiencies undermine the integrity of the information system.

**HEAD 2041 – Taxpayer Audit & Assessment Department**

35. The audit of the captioned Department resulted in the issue of four (4) reports that included eight (8) observations to be addressed.

**Non- collection of Assessed Tax**

- 35.1 We found that despite TAAD's effort to complete the tax assessments, there was a delay in updating the tax payers' accounts; thus, delaying the tax collection activity. Of the 200 accounts reviewed (with a tax assessment value of \$832M), forty-three (43) taxpayers' accounts with assessed amounts of \$115M were not posted on the computerized system for tax collectible. Further, based on our sample, we also identified that the Inland Revenue Department failed to collect eighty percent (\$570.8M) of the assessments posted to the system. Up to the date of this report, only \$66.2M, or 9% was collected.
- 35.1.1 A similar state of affair existed for GCT assessments. Of the 200 GCT payers' file reviewed, with an assessed value of \$530M, sixty-six (66) accounts with assessed GCT of \$105.7M, were not posted to the taxpayers' accounts. Assessed GCT collectible that was either fully or partially posted amounted to \$422.4M (80%); Of this amount, only \$171.6M (41%) has since been collected.
- 35.1.2 This deficiency will not aid the Governments' tax collection drive. Therefore, we recommended that urgent attention be given to it.



The figure below show the trend of Income Tax collections during the 2007 to 2010 financial Years.

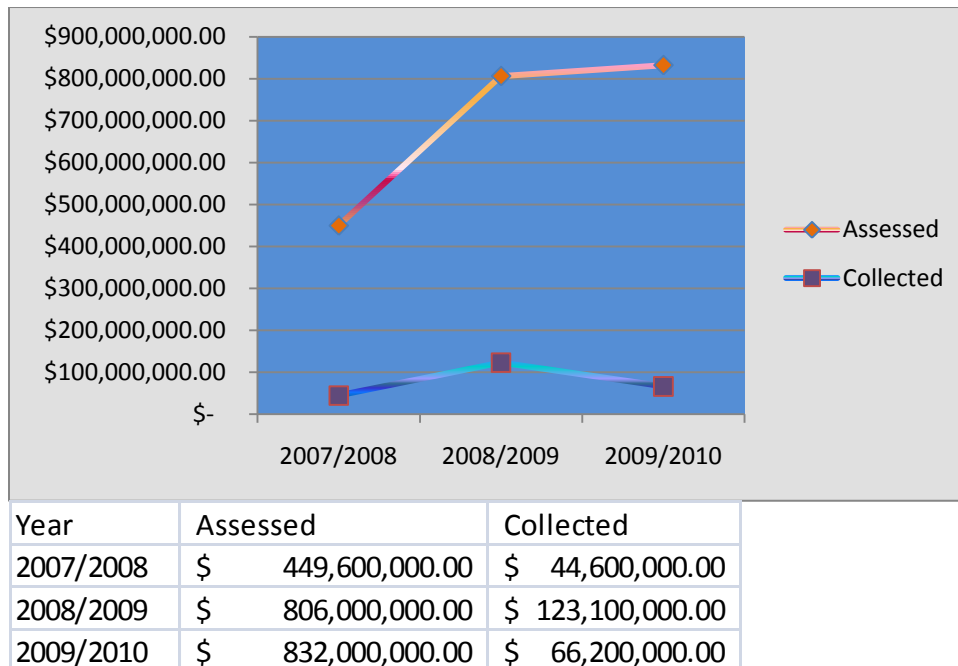


Figure 19 Income Tax Assessment and Collection Trends - 2007-2010

Graph showing assessed GCT and Income Tax for the years: 2007 to 2010:

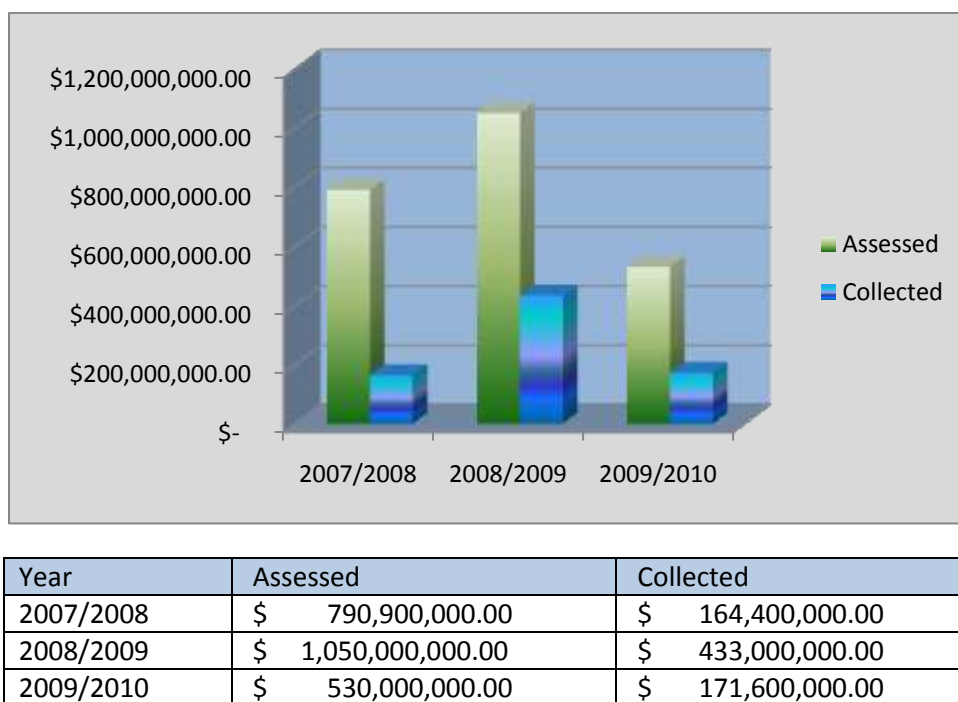


Figure 20 GCT Assessment and Collection Trend - 2007-2010

**Income Tax Returns**

35.2 We identified twenty-four (24) instances in which Returns were not made in accordance with the Income Tax Act<sup>16</sup>, but instead, remained outstanding for periods ranging from one to six years. At the time of this report, twenty-two (22) taxpayers' accounts had outstanding balances, totalling \$11.9M, which represented Returns filed and not paid in respect of years of assessment, 2004 to 2009.

**Over- Refund of Tax**

35.3 Seven (7) taxpayers were over refunded amounts totalling \$1.1M during the year 2009. We informed management that the existing system of internal controls needed strengthening to prevent or limit the extent of over refunds.

**Unpresented Files**

35.4 Up to the date of this report, the Department did not present fourteen (14) taxpayers files, which we requested to validate refunds totalling \$95M. Management was advised to present these files to facilitate the verification process.

**Salary Overpayments**

35.5 Weaknesses were noted in the preparation of salaries, which contributed to six (6) officers being overpaid amounts totalling \$107,058. This was subsequently substantially recovered. Nonetheless, management was reminded to improve the system of internal check in order to reduce the incidences of overpayments.

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<sup>16</sup> Section 67(2) of the Income Tax Act requires "every person liable to pay income tax in respect of any year of assessment to file Income Tax Returns on or before 15th day of March in the year next following such year of assessment."

**HEAD 1700 AND 1700A – MINISTRY OF TOURISM (MOT) AND AGENCIES**

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36. The audit of the captioned Ministry revealed a generally satisfactory state of affairs. MOT addressed the few concerns raised except that the control system governing the management of motor vehicles remained weak. This we found resulted in unreported damages to fleet vehicles and the Ministry's failure to monitor the fuel efficiency of the vehicles. The Ministry also failed to recover \$58,920 from an officer for damages caused to the Government's vehicle.

**Bath Fountain Hotel and Spa**

37. The management of the Bath Fountain Hotel failed to implement sustained corrective measures to the system of controls. The audit revealed that the Hotel did not address the cash management and payroll weaknesses reported in previous years. Consequently, the organisation was advised of its exposure to the threat of errors and financial loss.

**Milk River Bath Hotel**

38. The audit of the Milk River Bath Hotel revealed weaknesses in the payroll process. This contributed to salary overpayments of \$85,477 to ten (10) members of staff and underpayments of \$38,473. We also identified weaknesses in the controls governing the acceptance of goods and services and management of fixed assets.

**HEADS 2600, 2600A & 2600B – MINISTRY OF NATIONAL SECURITY (MNS) and Agencies**

39. The audit of the MNS revealed a generally satisfactory state of affairs. The issues raised were all adequately addressed by the Ministry.

**Private Security Regulation Authority**

40. The audit of the captioned entity, for the year under review, revealed a generally satisfactory state of affairs. The internal control weakness identified in relation to procurement was promptly addressed by management.

**Citizen Security And Justice Program (CSJP)**

41. The Citizen Security and Justice Programme was established under an Inter-American Development Bank Loan Contract No. 1344/OC – JA dated September 20, 2001 and extended by Loan Contract No. 2272/OC – JA dated December 15, 2009. The operations of the Programme commenced on December 15, 2001 and should end on December 15, 2013.

- 41.2 We examined the emoluments paid to the members of staff at the Citizen Security and Justice Program. The audit disclosed that contrary to the Section 2(02) of the Guidelines to Financial Management in Public Sector Entities, the approval of the Ministry of Finance and the Public Service was not sought and obtained for the emolument packages to the 49 officers employed by the Program. For the financial year 2009/2010 the Program paid a total of \$116M for emoluments. Officers were also entitled to a gratuity at the rate of 25% of their basic salary earned during the period of engagement.

It was recommended that the emolument packages for all officers be referred to the Ministry of Finance and the Public Service for its decision and the Accounting Officer of the Ministry of National Security should ensure full compliance with the directives of the Ministry of the Finance and the Public Service.

**Police Public Complaints Authority (PPCA)**

42. The audit of the PPCA revealed a generally satisfactory state of affairs. We identified a few weaknesses in the payment procedure and fixed asset management. Further, an officer was improperly paid \$170,000. PPCA was advised to address the weaknesses and recover the amount paid.

**HEAD 2624 – DEPARTMENT OF CORRECTIONAL SERVICES (DCS)**

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43. The audit of the captioned Entity, for the year under review, resulted in the issue of (eight) 8 audit reports which included 29 separate issues to be resolved by the Department. The following are the outstanding issues:

**Weakness - Salary Overpayments.**

- 43.1 Weaknesses in the controls exercised over the salary preparation process resulted in seventeen (17) officers being overpaid amounts totalling \$860,987. This was due mainly to inadequate independent check ; maintenance of the Leave Entitlement Record; delays in passing information to the Accounts Unit, and incorrect computation of income tax for five (5) pensioners. Management was advised to strengthen the internal control system and to recover the overpayments.

**Unapproved Employment Contracts**

- 43.2 Despite the Office of the Services Commission's advice that no further extension of the contract to an Assistant Superintendent would be granted beyond May 15, 2007; the Department continued to employ the officer up to June 30, 2009. In addition, The DCS employed one person more than the approved establishment.

**Family benefits contribution**

- 43.3 Family benefits contribution was not deducted from the salary of two (2) officers who were appointed in August 2005 and November 2009; in breach Sections 3 and 6 of the Pension (Civil Service Family Benefits) Act.

**Payment vouchers**

- 43.4 Payments totalling \$8.4M were made on quotations or pro-forma invoices in breach of Section 5.3 of the FAA Act Instructions. In addition, the required certification was not seen on some vouchers or their related supporting documents, indicating that goods were received in good condition or services were satisfactorily performed in keeping with Section 5.4(7) of the FAA Act Instructions. Management was advised that these weaknesses could result in duplicate and unauthorized payments respectively, thereby exposing the department to financial losses. We advised the DCS that adherence to the guidelines, is mandatory.

**Control Weaknesses - Motor Vehicle**

- 43.5 Despite being the subject of previous reports the Transport Manager failed to ensure that the motor vehicle Inventory, log books and motor vehicle Operational Efficiency Records were faithfully maintained. The log books still lacked pertinent information such as, mileage, nature of service, fuel consumption and authorization of trips. Also odometers for five vehicles were inoperable. It was further noted, that the Department's vehicles were used for private purposes. A vehicle stolen since April 2006 was still recorded in the inventory records and the MOFPS advice has not been sought to write off the loss. In addition, two (2) motor bikes, which were reported as being out of service, were not referred to the Ministry of Finance for Board of Surveys in keeping with Section 6.5 of the FAA Act Regulation.
- 43.5.1 Contrary to Circular No.9 dated May 21, 2007 issued by the MOFPS, reports of eleven (11) motor vehicle accident were not made to the Auditor General.

**Advance debit cards**

- 43.6 For the period April 2009 to February 2010, receipts for fuel totalling \$228,978 were not submitted to the DCS. This impedes management's ability to adequately monitor usage of petrol and verify the authenticity of petrol charges. A recommendation was made that all receipts should be signed and promptly submitted to support payments in keeping with Circular No. 11, dated July 7, 1999 issued by MOFPS.

**Insufficient controls - Fuel Pump**

- 43.7 We found that control over the fuel dispensed from the pump at the Department's Transport Centre was compromised. Issues were made without requisitions, 105 litres were issued to vehicles assigned advance debit cards without the approval of the Commissioner or the Deputy Commissioner, and 489 litres of fuel, costing approximately \$35,400 were not signed for in the register. The pump reading and the fuel register lacked independent checks. Recommendations were made for corrective action to be taken to avoid abuse of the fuel operation which may result in loss of public funds.

**Stores operation (Transport Centre)**

- 43.8 There was need for improvement in the controls governing stores as requisition forms were not authorized by a senior officer or signed by the storekeeper. Items issued were not signed for, there was no evidence of an annual independent stock count and the storage and labelling were inadequate. There was also inadequate segregation of duties in respect of the custody and accounting for stock. Management was advised to take corrective action as these deficiencies could result in financial losses.

**Weak Cash Management**

- 43.9 Reconciliation of the Department's three (3) bank accounts reflected numerous unresolved discrepancies totalling \$3.3M. Management was advised to investigate all discrepancies in a timely manner as this issue could facilitate irregularities or fraud.

**Passport Immigration & Citizenship Agency (PICA)**

44. The audit of the captioned Entity, for the year under review, revealed a generally satisfactory state of affairs. The areas of concern were adequately addressed by the agency.

**HEADS 2800, 2800A & 2800B – Ministry of Justice and Agencies**

45. The audit of the captioned Ministry, for the year under review, resulted in the issue of six (6) audit reports which included forty-two (42) separate issues to be resolved by the Entity.

The following are the outstanding significant concerns:

**Nugatory Expense**

- 45.1 Rental charges totalling approximately \$1.2M were paid by the Ministry for fifteen (15) inactive telephone lines during the period April 2008 to March 2010. This situation occurred due to lack of adequate controls over the Court Offices' telephones. This weakness has resulted in significant losses to the Government. Corrective measures were recommended.

**Trustee in Bankruptcy**

46. The audit of the captioned Entity, for the year under review revealed a generally satisfactory state of affairs. However, management was advised to strengthen the controls governing investments.

**Family Courts & Resident Magistrates' Courts**

47. We visited the Resident Magistrates Courts of Mandeville, St. Thomas and St. Catherine. Common weaknesses were identified with the controls governing the management of assets. We found that there was poor record keeping and that the Court Administrators failed to ensure compliance with the established guidelines. Further, twenty five (25) lodgements of fines totalling \$4M remained un-presented.

**Failure to Execute Justice**

- 47.1 The records of the Courts disclosed eight hundred and fourteen unexecuted warrants of Distringas and Capias for violation of bail bonds, which involved amounts totalling \$27.7M. The Ministry was reminded that failure to execute the fines contravenes Section 6 of the Bail Act (2000) and will allow perpetrators to remain unpunished.



47.1.1 Unexecuted warrants are summarized below:

Resident Magistrates' Court	Unexecuted Warrants	
	Number	Value (\$)
Mandeville	383	15,367,960
St. Thomas	29	2,080,000
St. Catherine	402	10,263,000
<b>Total</b>	<b>814</b>	<b>27,710,960</b>

Figure 21 Unexecuted Warrants

47.1.2 The St. Catherine RMC did not maintain a Commitment Register. Further, the audits identified that, for all three Courts, there were 592 outstanding commitments<sup>17</sup> and fines<sup>18</sup> involving approximately \$17.58M, for the period May 2006 to February 2010. The Ministry was again reminded that this recurring situation, if not addressed, not only subverts the course of justice but also represents a loss of revenue to the Government.

47.1.3 Outstanding fines and commitments are summarized below:

Resident Magistrate's Court	Fines and Commitments	
	Outstanding	Value (\$)
Mandeville	145	5,531,200
St. Thomas	135	3,257,700
St. Catherine	312	8,792,600
<b>Total</b>	<b>592</b>	<b>17,581,500</b>

Figure 22 Outstanding Fines and Commitments

It was also noted that the required monthly returns were not being submitted by the Bailiffs to facilitate alternative actions being taken by the Court. The Ministry was

<sup>17</sup> **Commitment** – document issued by the Court recording judgement with authority to make an arrest on default.

<sup>18</sup> **Fine** – Money or prison term that the Court has ordered as a penalty for civil offenses such as traffic, possession of drugs or drunkenness.

advised to implement early corrective measures to facilitate the collection of public funds and enforcement of the Law.

**HEAD 3000 – MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE (MOFAFT)**

48. We found that despite our consistent recommendations made in previous reports, the management of the MOFAFT failed to implement sustained corrective measures. The audit identified that though the specific concerns may have been addressed, the overall control environment was not strengthened. This has resulted in a repetition of some weaknesses and discrepancies.

***Outstanding Financial Statements***

- 48.1 Appropriation Accounts for the financial years 2006/2007 to 2008/2009 remained outstanding, as a result we could not ascertain whether expenditure were in keeping with Parliamentary approvals.

***Fixed Assets***

- 48.2 There was need for improvement in the controls exercised over fixed assets. There were location records in place. However, the assets assigned to some areas did not agree with the record. Further, the Master Inventory and Office Machines and Equipment inventories records were not maintained, furniture and equipment were not properly coded. The existence of assets costing \$1,354,412, acquired during the period under review was not confirmed as the Administrator could not identify same.

***Monthly and Fortnightly Salaries***

- 48.3 We identified that the payroll was not always certified and authorised<sup>19</sup> to authenticate the accuracy of the payments. This weakness contributed to overpayments of salary totalling \$36,035, which were made to two officers. In addition, because the Human Resources Department's did not monitor the officers' eligibility for allowance, several officers were not paid their increment or seniority.

***Leave Entitlement***

- 48.4 The controls over the leave records were unsatisfactory. The leave application process was decentralized, which resulted in a breakdown in the maintenance of the records. At the time of the audit in April 2010, some leave records were not properly completed, while others were last updated in 2009. Contrary to Staff Order 7.5.4 and 7.5.6, departmental leave was not requested in writing and the requisite approval granted before the leave was taken. Additionally,

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<sup>19</sup> Section 5.2.5 of the Financial Administration and Audit Act Instructions requires that the pay list must be authorised by the accounting officer or another officer so designated.

the leave register was not checked to ensure that employees absence/sick leave were promptly recorded. Management was advised to reassign leave management responsibilities to the Human Resource Department, and to ensure compliance with the regulations.

#### **Inadequate Control - Capital Investment Account**

- 48.5 The captioned account is held in the name of the Ministry but is funded by the Private Sector and the Diaspora. Despite repeated requests, the agreement between the parties indicating the terms and conditions for operating the account were not presented for inspection. However, the audit identified that the Ministry did not implement sufficient controls to govern this account. This resulted in the non- maintenance and preparation of a cash book and reconciliation of the bank account <sup>20</sup> respectively. The Ministry did not have a system of independent check to ensure the accuracy and completeness of the record. This situation is not only contrary to accounting best practice but contravenes the established Government of Jamaica guidelines<sup>21</sup>.

#### ***Un-cleared Advances***

- 48.6 The Missions for Trinidad and Washington D.C both had outstanding advances totalling TT\$15,520 and US\$7802. I was advised that steps were being taken to resolve this matter. At the Jamaica Consulate General – New York, we found that the controls governing advances were inadequate. The audit identified that independent check to detect and correct errors were absent, and management failed to ensure that advances granted were promptly cleared. This resulted in un-cleared advances totalling US\$29,160, which comprised balances dated as far back as 1996.

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<sup>20</sup> Section 6.8 of the FAA Act Instructions requires monthly reconciliation of bank accounts

<sup>21</sup> FAA Act Instructions - Section 6.29- requires that accounting ensures that at least weekly checks are done of the cash book and related records.

**Jamaica Consulate General - New York**

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**Payment Vouchers**

49. Payments totalling US\$13,094 were made without any quotations being obtained and the requisite certification that the goods were received in good condition and services satisfactorily rendered. Further, contrary to the procurement guidelines and the Financial Instructions, three (3) rental contracts amounting to US\$6,977 were not signed by all parties to the contracts.

**Telephone Charges**

- 49.1 The records showed that over a four-month period the Entity incurred telephone expenses of US\$ 18,979. However, the audit was unable to ascertain whether all costs should be charged to public funds, as there was no indication that the calls were official or private. Management was advised to implement proper controls that will ensure that the costs of private calls are recovered.

**Control over Blank Cheques**

- 49.2 Persons other than the custodian had access to the stock of blank cheques. We identified discrepancies with the blank cheque register concerning the number of cheques issued. Further, there was no regular independent check of the stock register to ensure completeness and accuracy of the record. Management was advised that failure to safeguard the cheques could facilitate errors and irregularities.

**Bank Reconciliation**

- 49.3 No satisfactory explanation was received for the differences of US\$537 and US\$10,116 reflected in the reconciliation statements for March 2009 in respect of the main and revenue accounts respectively. Management was advised to review the related records and make the necessary amendments to ensure that the financial information is free from misstatement.

**Missions' Accounts**

- 49.4 Examination of the monthly accounts and supporting documents submitted to the Ministry by the Jamaica High Commission (JHC) Trinidad, and Jamaica's Embassies in Washington and Tokyo disclosed the under-mentioned weaknesses:

**Jamaica High Commission Trinidad and Tobago****Control of Deposits**

50. The amount held on deposit could not be verified because a separate bank account was not maintained. A difference of TT\$68,121 was noted between the balances on the Deposit account and schedule for Deposit control account for which no satisfactory explanation was obtained. In addition, contrary to the Ministry of Finance's guideline, unclaimed deposits totalling TT\$8,571 held for over six (6) years were not remitted to the Accountant General for credit to the Consolidate Fund. Management was advised to investigate the difference and make the necessary amendment(s) to the records.

**Salaries**

- 50.1 Untimely transmission of information to the mission concerning the non-payment of salary increase, due in April 2009, resulted in overpayment of TT\$1,229; of this amount only TT\$869 was recovered. Management was advised to ensure that information is communicated to the mission in a timely manner to prevent recurrence.

**Jamaican Embassy - Washington D.C****Inadequate Segregation of Duties**

51. The accounting duties were not adequately segregated to facilitate independent checks to ensure that errors are detected and corrected on a timely basis. The Accountant prepared and certified payments and also signed the cheques relating to the said payments and was custodian of the blank cheques. Additionally, the Accountant participated in the board of survey at the end of March 2010, contrary to Financial Instructions 6.31 and 6.32. Management was advised to reassign custody of the blank cheques and certification responsibilities to another officer to reduce its exposure to errors and irregularities

**Special Deposits Bank Account**

- 51.2 The embassy operates a special bank account into which it deposits donations received for special events. The Embassy had neither advised the MoFAFT about this account nor did it obtain the Financial Secretary's approval. We noted that payments totalling US\$4,581 were made from this account to meet traffic fines and office related expenses; such as salaries and the purchase of furniture and

equipment. These payments were all authorised by the Deputy Chief of Mission. Furthermore, suppliers' invoices or bills were not provided to substantiate the payments. The Ministry was advised to ensure that the operation of the account is regularised to secure transparency.

#### **General Control Weaknesses**

- 51.3 The accounting records were not faithfully maintained. However, the Embassy's accounts department is staffed by only one person. This prevents proper segregation of duties and negatively impacts the timely update of the requisite records. The Ministry accepted our recommendation to reassign some of the tasks to other persons within the mission.

## HEADS 4000, 4000A &amp; 4000B – MINISTRY OF LABOUR &amp; SOCIAL SECURITY (MLSS)

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## National Insurance Scheme

52. The MLSS has not resolved the issue of outstanding NIS which was highlighted in my 2009 Annual Report. Consequently, all the issues revealed in that report are repeated below. We reminded the Ministry that not only is the viability of the scheme at risk but also of the likelihood that contributors will be denied their full benefit because of their employers' delinquency. Further, the MLSS is still unable to readily determine whether NIS collected by the Inland Revenue Department has been paid into the relevant bank accounts. As a result, the Scheme is susceptible to fraudulent practices. Unfortunately, based on the prevailing weaknesses fraud and irregular activities may not be detected timely or at all.
- 52.1 Internal quarterly reports disclosed that 2,027 employers and self-employed persons in all parishes continued to be delinquent in filing Annual Returns for the years 1992 to 2009; while a total of 2,165 employers did not remit NIS contributions amounting to \$2.2B.<sup>22</sup>
- 52.2 Replacement cheques were not received for 413 dishonoured cheques totalling approximately \$11.1M, which were received as payment for NIS contributions over the period April 2007 to March 2010. The Ministry was advised to take the necessary steps to recover the outstanding amounts.
- 52.3 The NIS office failed to reconcile the amounts paid into the NIS bank accounts with the relevant collection returns submitted by the Inland Revenue Department. An audit of the bank statements for March 2009 and June 2010 revealed that 744 deposits totalling \$536.2M could not be reconciled, as the local parish office did not submit the lodgement slips and a schedule of the collection to the NIS head office.

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<sup>22</sup> \$875M is owed by the five sugar companies (interest charges of \$448M included).



**Unverified Pension Beneficiaries**

- 52.4 Based on a visit to the St. James Parish office, the auditor was unable to verify the existence of eighteen (18) pensioners to whom pension books totalling \$840,213, were issued. The NIS inspectors were urged to continue the verification exercise and advise me of the outcome.

**Missing Cheque**

- 52.5 An initial pension award cheque for \$260,922 was discovered missing following enquires made by the affected pensioner. Further investigations revealed that the cheque was encashed in January 2009 by someone other than the pensioner, and the related pension file and payment voucher documents cannot be located. Up to the date of this report, the matter was being investigated by the Police.

**Ministry Related Issues****Un-presented Vouchers**

- 52.6 Nine (9) payment vouchers totalling \$2.7M were not presented for audit inspection. Consequently, we could not verify whether these payments were properly made and in compliance with the Financial Instructions governing the payment of public funds.

**Bank Overdraft**

- 52.7 Five (5) cheques drawn on a foreign bank for US\$490,000 or JA\$42M were deposited to the Ministry's bank account, without adequate checks being made to ascertain their validity; as required by the Ministry of Finance's guidelines for the acceptance of cheques. These cheques were subsequently dishonoured and the Ministry's bank account was debited with overdraft charges of approximately \$1.6M. Up to the date of this report, the charges were not recovered.

**Salary Overpayments**

- 52.8 A former employee, who had abandoned the job on March 26, 2009, continued to receive salary payments up to May 15, 2009 resulting in overpayments totalling \$52,451. The MLSS has not recovered the amount.

**Telephones**

- 52.9 The internal controls for the Ministry's telephones continued to be inadequate and provided no assurance that only the cost for official use of the telephones was met from public funds. In 2010, approximately \$28.2M was spent for telephone facilities.
- 52.9.1 Up to October 2010, the PBX voice related feature which was acquired for use at the Ministry's head office in 2007/2008 at a cost of US\$13,000, was still not activated. To date, the Ministry has not benefitted from this expenditure. It was again recommended that appropriate measures be implemented to prevent abuse of the telephone facilities.

**Canadian Farm Work Programme****Worsening State of Affairs**

53. The Programme's financial statements revealed that it was in a deficit position of CDN\$148,765 as at March 31, 2010; the position has worsened when compared to the last financial period's result by 118%. A foreign exchange loss of CDN\$467,891 and the reduction in interest rates offered by the Canadian banks contributed to the deficit position. However, the profit position before the foreign exchange loss was CDN\$319,126, which represents a 61% decline when compared to 2008/2009 performance. This is consistent with the reduction in the profit margin over the past two financial years (2007/2008 and 2008/2009). The management committee was advised of this worsening performance in my audit reports for the same periods. If this trend continues it will have a deleterious effect on the Jamaica Liaison Service's (JLS) ability to provide a meaningful service to the farmers. I am also cognizant of the new Canadian tax laws which have had a direct impact on the price of goods and services acquired by the JLS. In that regard, the management committee was implored to explore and implement cost savings mechanisms and strategies to grow the Programme with an aim to reverse the deficit and increase revenue.

**Unauthorized Expenditure**

- 53.1 Contrary to *Clause 6 of the Programme's policy on "Gratuity and Severance Payment"* which states that: *"No payment can be made without the approval of the Management Committee and the decision of the Board shall be final and conclusive"* an officer was paid severance gratuity of CDN\$25,185 without the prior approval of the Management Committee. In addition, based on the reasons given for the termination of officer's employment, the amount paid appeared excessive. It was recommended that the matter be referred to the Programme's Management Committee Board for its decision and the Chief Liaison Officer should be reminded to strictly adhere to the Programme' Policy.

**Monies Owed to Farm Workers**

- 53.2 An examination of the Overseas Workers Compulsory Savings Department, maintained by MLSS, revealed serious administrative deficiencies, resulting in the non-submission of banking particulars for the workers. As a result of this, monies totalling approximately \$17.1M were not paid over to 445 farm workers up to March 2010. These monies were being held by the Ministry from as far back as 2006.

**HEADS 4100, 4100A & 4100B – MINISTRY OF EDUCATION AND AGENCIES**

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**Teachers' Emoluments**

54. Poor communication between the MOE and the regional offices contributed to eighteen (18) teachers being overpaid emoluments totalling \$3.2M. It was also noted that two (2) teachers forfeited their bonding agreements and was indebted to the Government for amounts totalling \$ 1.3M. The MOE was advised to address the communication weakness and recover the amounts overpaid.
- 54.1 Personal files requested for twenty-six (26) teachers were not presented for audit. Also, personal files for another thirty (30) teachers lacked pertinent information such as evidence of academic qualification, copies of character references, NIS & TRN numbers. These are all required to verify whether teachers were properly engaged.

**Bond Agreements**

- 54.2 There was no evidence that a bond agreement was executed for a teacher who proceeded on study leave for a two year period. In another instance, a teacher was granted extension of study leave for the period September 2002 to December 2007 to attend a different institution from that initially approved. However, a bond agreement was not executed to cover the extension period nor was a certificate submitted for the initial course of study; this was a breach of the Education Regulation, (1980).

**Edna Manley College Of The Visual & Performing Arts****Outstanding Financial Statements**

55. The audited financial statements for the years 2007/2008 and 2008/2009 were not submitted to the Portfolio Ministry as required by Section 89 (1D) of the Education Regulation 1980.

**Error in salary calculations**

- 55.1 Four (4) officers were overpaid emoluments totalling \$871,260. This was due mainly to errors in salary computation; inadequate communication between Personnel and Salary Units and improper payment of acting allowance. It was recommended that adequate checks and balances be implemented and

recovery of overpaid amounts effected. The College subsequently advised that recovery was in progress.

#### **Inadequate Controls - Fixed Assets**

- 55.2 The control exercised over fixed assets was inadequate. A Machine and Equipment record was not maintained. Also, assets acquired during the period under review at a total cost of \$7.3M were not reflected in the Fixed Assets Register.

#### **Nugatory Expenditure**

- 55.3 The College did not put to use a photocopier purchased at a cost of \$913,315 in April 2001.

#### **Conflict of Interest**

- 55.4 The MOE was advised of a conflict of Interest matter where the principal sold items of furniture to the college for \$190,000. He also authorised the payment and signed the cheque that was paid to him.

#### **Procurement Breaches**

- 55.5 There was no evidence that the purchasing of equipment at a cost of \$1.6M, as well as the selection of the canteen concessionaire were approved by the Procurement Committee.
- 55.5.1 Payments for goods and services totalling \$1.4M to thirty-one (31) suppliers were not supported by original invoices. It was also noted that goods and services costing \$3.1M were acquired without any indication that the required competitive price quotes had been sought.

#### **Unreported Losses**

- 55.6 The Internal Audit Report revealed that a Laptop and several computer accessories were stolen. However, there was no evidence that the loss suffered by the College was reported to the Financial Secretary and the Auditor General in keeping with the FAA Act Instructions.

**Outstanding Receivables**

- 55.7 The records revealed that at February 2010 outstanding receivables in respect of school fees totalled \$43.9M. The College was advised to take steps to collect the amounts outstanding.

**Control Weaknesses**

- 55.8 Staff loans were approved by the Principal instead of the Loan Committee. During the period under review twenty-two (22) loans granted, were guaranteed by temporary employees.

**Contract Procedure Breaches**

- 55.9 Work commenced on a contract, which valued \$16M, three months before Cabinet granted approval. The contract incurred unauthorised variation costs totalling \$9.1M.
- 55.9.1 The college did not obtain the approval of the NCC for additional costs incurred of \$7.5M to extend the School of Music Auditorium.

**Church Teachers' College****Audited Financial Statement**

56. The audited financial statements for the years 2007/2008 and 2008/2009 were not submitted to the Portfolio Ministry as required by Section 89 (1D) of the Education Regulation 1980.

**Procurement Breaches**

- 56.1 Competitive price quotes were not obtained for expenditure totalling \$1.7M as required by government procurement guidelines.
- 56.1.1 Payments totalling \$1.4M were made to four (4) suppliers for repairs done to the Principal's residence and Nurse's Quarters. However, there was no evidence that written contracts were in place or that the procurement process was competitive.

**Control Weaknesses**

- 56.2 Payments totalling \$688,374 were made to the Principal who approved the expenditure, and signed the related cheques. It was recommended that internal controls should be structured to facilitate good corporate governance practices.

**Unapproved Payment**

- 56.3 The Principal was paid amounts totalling \$1.1M as an Administrator of the Consortium of Institutions for Teacher Education (CITE) Programme. Based on the approved budgetary provision he should have been paid only \$867,814. However, a unilateral decision by the Principal to compensate himself on an hourly basis resulted in the excess payment of \$203,786. It was also noted that other officers who provided assistance in the operation of the Programme were either not paid or paid at rates lower than that budgeted for. The College accepted our recommendation to recover the excess amount of \$203,786. They advised that recovery will commence January 2011.

**Improper Payment**

- 56.4 Payments totalling \$214,989 were made to three (3) officers as increments for additional qualification obtained by them. It was noted that the qualifications were awarded prior to their employment to the College and as such, should not have benefited from the additional payment. Management was advised to effect recovery of the amounts paid.

**Investment**

- 56.5 There was no evidence that the required approval of the Ministry of Finance and the Public Service was obtained for the operation of the College's investment portfolio of approximately \$159.9M held at seven (7) investment houses for the period ended April 2010. Further, the related accounting schedules were not faithfully maintained so that reliance could be placed on them.

**National Youth Service**

57. The audit of the National Youth Service, for the year under review, revealed several issues to be resolved by the Entity all of which remain outstanding to date.

**Overpayments of Salaries**

- 57.1 Two (2) officers were overpaid amounts totalling \$138,352 due to errors in the computation of their salaries and gratuity payments. NYS was advised to recover the amounts overpaid and implement adequate internal controls to prevent a recurrence.

**CONTRACTS**

- 57.2 There was no indication that the requisite deliverables were received in relation to three (3) construction contracts totalling \$5.8M. The contracts were awarded to two (2) contractors to develop computer training labs at two (2) training sites and the Entity's Head Office. A signed copy of the contract for \$1.5M was not presented for audit scrutiny.

- 57.2.1 Deposits that represented forty percent of total contract sums were paid to the respective contractors. There was no evidence that these advances had been secured by guarantee. Also, contrary to the terms of the contracts, the respective contractors received final payments without any evidence of certification by a competent technical officer that the work had been satisfactorily completed.

- 57.2.2 The final contracts did not reflect the protective clauses that were included in the tender document; such as, defects liability period, liquidated damages and rate of interest payable on overdue amounts.

**Jamaica Library Service (JLS)**

58. The audit of the JLS revealed a generally satisfactory state of affairs. The few weaknesses identified were brought to the management's attention for corrective action to be taken.



**Electoral Office Of Jamaica (EOJ)****Construction Contracts**

59. A contractor was awarded four (4) contracts amounting to \$14.7M with variations of \$1.6M during the period November 20 to December 19, 2007, for renovation and construction works at the Duke Street premises. It appeared that the total costs of these construction works were fragmented to avoid submission to the National Contracts Commission, as the works were carried out simultaneously at the Headquarters and the dates of the contracts were a few days apart. Review of the contracts revealed that they had no commencement or end dates, no liquidated damages clause to protect the Entity's interest, variations were not approved by the Accounting Officer and the requisite recommendations by the Procurement Committee were not seen.

**Improper payments**

- 59.1 An officer was overpaid salary of \$188,701. In addition, contrary to the Ministry of Finance's advice and their employment contracts two (2) officers were paid honorarium amounting to \$2.1M.
- 59.1.1 Further, an officer was paid travelling allowance of \$291,550 but the ownership and existence of the vehicle could not be confirmed as there were no documents relating to the vehicle on file, no indication of the type of vehicle was on any of the travel claim forms submitted, and the vehicle was not presented for a physical inspection. Management was advised to recover the amounts.
- 59.1.2 Approval was not obtained from the MOFPS to provide new laptops to the Commissioners as part of their emoluments instead of library, robing and leave passage allowances. The Commissioners were given the old lap tops that they were originally assigned. Management was advised to seek the requisite approval to regularise the situation.

**Unapproved Travel Incentive/Gratuity**

- 59.2 Despite being the subject of a previous report and the absence of the MOFPS approval, the Entity continued to pay travel incentive to staff in the constituency offices and gratuity to retired Returning and Assistant Returning Officer. Management was advised that failure to obtain the requisite approval undermines the Government's accountability procedures which could result in disciplinary action against the culpable officer.

**Staff loans and advances**

- 59.3 Although, this issue was raised in previous reports, management failed to obtain Ministry of Finance's approval to operate its loan scheme. The Entity continued to grant interest free loans, contrary to the prescribed rate of eight percent (8%). Loans totalling \$1.2M were granted without deliberation by the Committee, also adequate supporting documents and securities were not always obtained prior to loan disbursements. Management failed to recover seven (7) loans totalling \$251,330. Motor vehicle loans totalling \$1.3M were inadequately secured as Bills of Sales were not executed, nor were liens registered on the vehicles. These deficiencies not only breached the guidelines but could result in irregularities, abuse and loss of public funds.

**Outstanding Advances**

- 59.4 Advances totalling \$245,000 made to two (2) officers in March 2009 remained outstanding. There was no evidence that management had made any effort to recover these amounts.

**Procurement Breaches**

- 59.5 Contrary to the Procurement Guidelines competitive quotations or the requisite approvals were not obtained to justify the use of the sole-source procurement method to procure goods and services totalling \$24M; several items were purchased without deliberations by the Procurement Committee and minutes for the period March 2008 – February 2009 were not signed by the members to authenticate the decisions taken. Therefore, it was not possible to ascertain how the Entity satisfied itself that the best prices were received. Strict adherence to the procurement guidelines was recommended.

**Absence of Contracts**

- 59.6 An expired contract was used to substantiate payment of \$12.8M to a contractor. Management was reminded that this deprives the Entity of its rights in the event of litigation, and that a written contract should be executed to protect the Entity's interest.

**Advance Debit Card**

- 59.7 No improvement was noted in the controls exercised over the debit cards used to purchase fuel. The records to account for the custody and issues of advance debit cards were missing. Consequently, it could not be ascertained whether fuel costing \$5.1M was used for the intended purpose. In addition, receipts for fuel costing \$183,195 were not presented, and the required reconciliation of the MCIS statements with the receipts was not conducted.

**HEADS 4200, 4200A, 4200B – MINISTRY OF HEALTH (MOH) AND AGENCIES**

60. The audit of the MOH revealed several issues to be addressed. The following deficiencies remain unresolved:

**OUTSTANDING APPROPRIATION ACCOUNTS**

- 60.1 The Appropriation Accounts for 2006/2007 and 2007/2008 were not presented. MOH advised that this was due to technical difficulties being experienced with the FMIS. The MOH was reminded that failure to submit the Accounts within four (4) months following the end of the financial year constitutes a breach of the FAA Act.

**OFF BUDGET TRANSACTIONS**

- 60.2 The MOH received a \$35M grant from USAID. However, there was no evidence that this amount was accounted for as revenue by the Accountant General. Further, we identified that MOH's expenditure for 2008/2009 was understated by \$28M; which was met from the grant.

**DEPOSITS CONTROL**

- 60.3 Contrary to MOFPS Circular No. 17 dated September 24, 2003<sup>23</sup>, the MOH utilised \$3.78M held on deposit that was designated, for special use to cover arbitration expenses for the May Pen Hospital. Additionally, \$3.2M, which was held in excess of six years, was not remitted to the Accountant General in accordance with Section 6.1 of the aforementioned circular.

**ADVANCES**

- 60.4 Despite being the subject of previous audit reports, the prior year balances up to 2008/2009 were not brought forward in the accounts. As such, it is possible that the net balance of \$9.56M on the advances control account is incorrect. Further scrutiny of credit balances disclosed that the amounts reported varied from balances disclosed in the manual records maintained by the salary section.

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<sup>23</sup> Section 3.5 states that: Deposit funds should not be used to provide temporary budgetary support for MDAs. Deposit accounts must be used solely for the purposed for which they were received.

**OUTSTANDING MATTERS**

60. Despite being the subject of previous reports. The Ministry failed to remit interest amounting to \$28.18M to the Accountant General as prescribed by the Ministry of Finance's Circular No. 14 dated May 24, 2007. The Ministry was thus asked to remit the amount to the Accountant General and advise the Financial Secretary.

**St. Joseph's Hospital**

61. The St. Joseph's Hospital was acquired by the Government through the Ministry of Health in April 2008. A transition Committee was appointed to ensure a smooth transfer of the operations and the efficient and effective functioning of the hospital as a viable Institution. The audit of the financial transactions and accounting records for the financial year 2009/2010 resulted in one (1) audit report being issued, which included several issues to be resolved by the Entity. The outstanding areas of concern are highlighted below:

**Audited Financial Statements**

- 61.1 The audit revealed that financial statements have not been prepared since the Government assumed control of the Hospital despite the Transition Committee's mandate to ensure that management and accounting responsibilities were in accordance with the Government Guidelines.
- 61.1.1 Management was informed that failure to prepare financial statements on a timely basis could hinder its ability to appropriately assess the viability of the institution as a going concern, and prevent the detection of fraud and errors.

**Outstanding Annual Returns/Unremitted Statutory Deductions**

- 61.2 The last Annual Returns submitted for statutory deductions were in respect of 2008, and statutory deductions amounting to \$17M remains unpaid for 2009. Management was advised to submit the outstanding annual returns, and to seek the required cash from the Ministry of Finance and the Public Service to settle its obligation. Failure to comply with the laws could result in penalties being charged and the employees being deprived of certain benefits.

**Error in salary calculation**

- 61.3 Three (3) employees were overpaid salary and allowances totalling \$70,861 due to computation errors. Management was advised to recover the full amount.

**Fixed Assets**

- 61.4 Adequate inventory records were not being maintained as the Master Inventory record has not been updated since November 2008, codes given to assets were inadequate, and there was no evidence of regular independent checks by a senior officer. Failure to maintain proper inventory records could result in unauthorized use, abuse, or theft, which may not be readily detected. Management was advised to implement an effective system of asset management that conforms to the stipulated guidelines.

**Procurement and Expenditure Vouchers**

- 61.5 The Hospital did not have written agreements in respect of services engaged for the provision of meals, and security. We advised the hospital that its failure to institute a formal agreement makes it susceptible to losses in the event of differences.
- 61.5.1 Payments for purchases totalling \$9M were not supported by original invoices.<sup>24</sup> There was no evidence that the Hospital satisfied itself that goods/services acquired totalling \$11.55M were in good condition or satisfactorily rendered.

**Accounts Payables**

- 61.6 The aged payables report submitted by the Hospital disclosed that, as at March 2010, amounts owed to creditors totalled \$16M. Of this amount \$6M was outstanding for more than 90 days. The Hospital was encouraged to take steps to reduce its debt.

**Accounts Receivables**

- 61.7 The aged receivables report submitted revealed that the Hospital was owed \$47.8M for over 90 days.

**Stores**

- 61.8 We identified weaknesses in the controls governing the management of stores. Differences were noted between the physical stock balances and those per stock records. Also, there was no evidence of independent checks and duties

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<sup>24</sup> Section 5.3 of the FAA Act Instructions: Payments shall be made only on the original copy of the supporting documents.

were not adequately segregated. This could undermine the accountability process, result in pilferage, and other irregularities going undetected for protracted periods.

#### **Cash inspection**

- 61.9 We found weaknesses in the payment procedures adopted by the Hospital. A surprise cash inspection revealed unsupported cash disbursements totalling \$4,594. The Hospital was advised to implement measures to limit the occurrence of errors and irregularities.

#### **Professions Supplementary to Medicine**

62. The audit identified several discrepancies during the year. These were satisfactorily resolved with the exception of the following:

#### **CASH RECEIPTS**

- 62.1 There was need for improvement over the recording of lodgement and accounting for values collected by the Ministry of Health's Accounts Department on behalf of the Council. Differences totalling \$1.7M were noted between the individual receipts drawn by the Ministry of Health and the cover receipts issued to the Council for the period April 2009 to March 2010. Additionally, receipts totalling \$1.5M were not recorded in the Council's cash book, which was maintained by the Ministry of Health.

#### **Pharmacy Council of Jamaica**

63. The audit of the accounting records and financial transactions of the captioned entity, for the year under review, resulted in the issue of one (1) audit report which included concerns in seven (7) areas that were brought to management's attention for correction. At the time of this report, the following concerns were unresolved.

#### **Cash Receipts**

- 63.1 The examination revealed unexplained discrepancies with receipts totalling \$79,400. This included the absence of cashier signature, name of the payee and corrections being made to duplicate receipts.

**Receivables**

- 63.2 The Council was unable to provide accurate information relating to outstanding fees due to inadequate recording and monitoring of payments and arrears. It was noted that fees and prepayments totalling \$3.1M and \$642,550 respectively were not reflected in the General Ledger. The Council was advised to take corrective measures.

**Golden Age Home**

64. An audit of the financial transactions and accounting records of the Entity revealed a generally satisfactory state of affairs. However, the Management of the Home must ensure that all responsible officers adhere to the established internal control procedures. The audit identified and reported weaknesses in the internal control system governing the preparation of salary and the safeguard of assets, such as, fixed assets and cash. The Home did not respond to the report sent, and I am not satisfied that management has acknowledged the control weaknesses or addressed the issues raised.

**National Council of Drug Abuse**

65. The audit of the NCDA revealed several weaknesses which were subsequently address by the entity. However, the following deficiencies remained outstanding:

**EXPENDITURE VOUCHERS**

- 65.1 No documentation was presented to support compensation made to seven (7) staff members of the Council including the Executive Director for extra duties provided to the “tek it to Dem” Project, therefore it could not be determined whether the payments were properly authorized. Income tax amounting to \$111,500 was not recovered from the amounts paid in contravention of section 5 of the Income Tax Act.

**Inadequate control- Fleet Vehicles**

- 65.2 As reported in the previous years’ audits, the Council did not have a secured facility for parking the fleet of vehicles when they were not in use. Management was advised to ensure that the fleet of vehicles is parked at a secure location. The Council could seek assistance from their portfolio ministry in this regard.



## Bellevue Hospital

### Outstanding Appropriation Accounts

66. At the time of this report, Appropriation Account for 2009/2010 was not submitted for audit. The Accounts for 2007/2008 and 2008/2009 were returned for corrections. However, only the 2008/2009 account was resubmitted. The ministry was reminded that failure to submit the Accounts within four (4) months of the end of the financial year constitutes a breach of the Financial Administration and Audit Act.
- 66.1 There was no evidence that the requisite approvals were obtained for virement totalling \$110M and \$10M between activities on the 2007/2008 and 2008/2009 Appropriation Accounts respectively.

## Child Development Agency (CDA)

### Accounts Payables

67. At March 2010, amount owed to creditors totalled \$141M; of this amount, \$110M was outstanding for more than 90 days. Further we could not confirm the authenticity of payables amounting to \$76,709 as the requisite invoices or bills to substantiate the amount were not presented. The Agency was asked to present the supporting documents, and to indicate how these bills would be settled. They were reminded that failure to do so in a timely manner could affect the credit worthiness of the Agency, and hinder its ability to procure critical goods and services.

### Unremitted Contractors Levy

- 67.1 CDA failed to remit Contractors Levy totalling \$204,130 to the Inland Revenue. We advised the CDA to remit the amounts to the tax authority and that they were in breach of the Contractors Levy Act.

### Accounts Receivables

- 67.2 At January 2010, amounts owed to the Agency totalled \$16.6M. Despite our advice, management failed to implement an adequate accounting system to properly account for the total amounts receivable and actual amounts collected from parents and guardians. Consequently, we could not determine the accuracy of the reported amount. CDA was again reminded of its responsibilities to maintain proper accounting records and to collect outstanding amounts.

**Overpayment of salary**

- 67.3 One officer was overpaid \$98,417 in 2008; of this amount \$35,374 was recovered. CDA was reminded that full recovery must be made in a timely manner.

**Inadequate Motor Vehicle Controls**

- 67.4 Motor vehicle log books were not properly completed and the requisite quarterly operational efficiency report maintained. There was no evidence that the Agency reported an accident involving one of its motor vehicles in July 2009 to the Auditor General and the Ministry of Finance as required by the Financial Instructions. These weaknesses undermine the CDA's ability to monitor and assess the use of the vehicles.

**Payment vouchers**

- 67.5 Payment vouchers and other supporting documents relating to expenditure totalling \$449,845 were not stamped "paid". This increases the risk of duplicate payments which could result in significant losses. Management was advised to ensure that the Accountant cancel vouchers and supporting documents to prevent reuse. Competitive price quotations were not obtained for purchases totalling \$522,521 in breach of the Financial Administration and Audit Act Instructions and Government's procurement policy. Compliance with the stipulated guidelines was recommended.

**Absence of Contract**

- 67.6 Notwithstanding an expired contract, payments totalling \$769,872 were made to a contractor. Management was advised to regularize the situation as this shortcoming constitutes a breach of Government's procurement guidelines.

**Inadequate controls - Fixed Assets**

- 67.7 The existence of furniture and equipment costing \$1M acquired during the period under review proved difficult to confirm as the Agency's furniture equipment inventory records were not presented. This deficiency contravenes the Financial Administration and Audit Act Instructions and could result in the loss and abuse of Government's assets. The Agency was advised to implement corrective measures.

**Marigold Children's Home**

- 67.8 We identified deficiencies in the payment process and the operation of stores. These were communicated to the Home for corrective action to be taken.

**Alpha Boys Home**

- 67.9 It appeared that the Home did not take steps to ensure that goods/services it acquired were in good condition or satisfactorily rendered.

**Blank cheques**

- 67.10 Contrary to best practice, cheques were signed in blank by the Chairman. This undermines the accountability controls and could result in fraud. It was recommended that this practice be discontinued and additional officers assigned as signatories to the bank account.

**Southern Regional Health Authority (SRHA)****Outstanding Financial Statements**

68. At the time of this report, the last audited financial statements and annual report presented were for the year ended June 2008. It was also noted that no financial statements or annual reports had been presented to Parliament since the inception of the Regional Authority. This is a breach of the Public Bodies Management and Accountability Act and denies stakeholders information that is critical to decision making.

**Salary Overpayment**

- 68.1 The SRHA identified that overpayment of \$169,910 was made to an officer. However, there was no evidence that they commenced recovery.

**Furniture Inventory**

- 68.2 We identified that weaknesses in the controls over fixed assets were pervasive throughout the facilities in the region. The furniture and equipment inventory records were incomplete. This is as a result of the Health facilities failure to update the relevant fixed asset records. Additionally, identification codes were not assigned to some assets, the locations of equipment were unknown, and assets assigned to locations did not always agree with the Location Records. These deficiencies made it difficult to verify the existence of assets. Management was advised to ensure that the records were updated, and furniture and equipment appropriately marked to safeguard the assets.

**Procurement**

68.3 Contrary to the Procurement Guidelines, purchases of goods and services over \$275,000 were not deliberated on by the Procurement Committee and there was no evidence that a commitment control system was in place. This could result in the Government not obtaining the most economical price and over expenditure.

**Inadequate controls - Stores**

68.4 Improvement was needed in the Store operations at the Regional Office, Mandeville, May Pen and Black River Hospitals, and the St. Elizabeth Health Department. The weaknesses noted included inadequate segregation of duties over the procurement of goods; and maintenance of the ledger and the issue of stock. Also, stock counts disagreed with stock record balances.

**Payables**

68.5 As at February 28, 2010 amounts owed to creditors totalled \$133M; of this amount \$48M was outstanding for more than ninety (90) days. We reminded the Authority that failure to settle bills in a timely manner could affect its ability to procure critical goods and services.

**Receivables**

68.6 The SRHA receivables balance as at March 31, 2010 amounted to \$7.9M. However, \$5M owed to the Mandeville Hospital was not included. We advised SRHA that unreliable financial information will undermine its ability to monitor the accounts and could lead to inappropriate decisions.

**Cash inspection**

68.6 Several cash management deficiencies were identified, such as:

- Funds collected at the Black River Hospital and St. Elizabeth Health Department were held for up to twenty-six and ten days respectively, before being lodged;
- The stock of receipt books held by a senior officer at the Black River Hospital was not recorded in the receipt book register;
- Receipts were not issued by the Health Department to the Health Centres to facilitate transparency and proper accountability for cash received from them;
- Records were not maintained for \$32,515 on hand in respect of the HIV Care Centre;

- The Accountant at the St. Elizabeth Health Department failed to present two receipt books; and
- The Petty Cash Book was not checked since October 2007 at the Clarendon Health Department and at the Santa Cruz Health Centre a petty cash book was not maintained;

68.1.1 SRHA was advised to address these deficiencies promptly to avoid errors and irregularities.

### South East Regional Health Authority (SERHA)

#### Outstanding Financial Statements/Annual Reports

69. Since its inception, SERHA has failed to submit annual reports to the Minister to be tabled in the Houses of Parliament in keeping with the PBMA Act. Management was advised that this impeded timely analysis of the financial affairs of the Authority and could result in errors and irregularities going undetected for protracted periods.

#### Fixed Assets

- 69.1 SERHA has failed to ensure that the controls over fixed assets were improved, and the assets sufficiently safeguarded, despite this being the subject of my report for 2008/2009. Furniture and equipment costing \$1.5M, acquired during the year were not marked. Also the requisite inventory records were not maintained at the Authority and two health facilities. SERHA was again advised that every effort should be made to safeguard the assets, as failure to maintain the fixed asset records and appropriately mark the assets could result in unauthorized use or abuse.

#### Absence of Security Contract

- 69.2 During the year ended March 2010, payments totalling \$20M were made for security services, without the existence of a written contract. Management was advised that the rights of the Authority could be compromised in the event of non-performance or non-compliance by the contractor.

**Breach of Procurement Guidelines**

- 69.3 During the period under review, goods and services totalling \$1M were acquired without SERHA obtaining the stipulated three (3) quotations, contrary to the Procurement Guidelines. SERHA was advised to ensure that the guidelines are followed.

**Payment Vouchers**

- 69.4 Contrary to the FAA Act Instructions, payment vouchers and related supporting documents for expenditure totalling \$804,458 were not stamped “paid” to prevent reuse.

**Bank Reconciliation**

- 69.5 Bank reconciliation statements for the general and salaries accounts were examined for March 2010 and August 2009 respectively. SERHA failed to ensure that the reconciling items on these statements totalling \$33.5M, which included bank errors (some from as far back as 2000), were resolved. Also, we identified that there were delays in cash lodgements of up to one month after receipt. We advised SERHA that failure to address the discrepancies and reconcile the bank accounts in a timely manner will facilitate fraudulent activities.

**Receivables**

- 69.6 An aged receivables schedule was not presented for inspection; as a result the extent of sums owed to the Entity could not be verified. Management explained that maintenance of the schedule was discontinued in 2008, when user fees were abolished.

**Outstanding Annual Returns**

- 69.7 Contrary to the statutory provisions, annual returns were not submitted to the relevant agencies as indicated below:
- 2006 -2009 Education Tax and Income Tax
  - 2009 National Insurance and National Housing Trust
- 69.7.1 Management was reminded that failure to submit the returns as required could result in the entity being penalised, as well as employees being deprived of their benefits.

**Emoluments****Unapproved Gratuity**

69.8 There was no evidence that approval from the MOFPS was sought to pay gratuity of \$1.7M to a Consultant who was initially employed on a three year contract as a Senior Resident, but was subsequently promoted to a Consultant before the end of the two years at which time the gratuity would be due. There was no provision in the contract that the officer would be eligible for promotion during the three year period; as such, it is considered that her employment in these two posts is separate, and no gratuity would be due. Management was advised to seek approval from the MOFPS for the payment of the gratuity, failing which the amount should be recovered.

**Overpayment and Short payment**

69.9 An officer was overpaid \$143,302 during the period under review, due to incorrect application of the income tax threshold, while another officer was short paid gratuity of \$27,601 as a result of computational errors. SERHA was advised to resolve the issues.

**Stores Management**

69.10 SEHRA failed to ensure that the stores operations were conducted in the manner prescribed by the guidelines, although this was a concern in my report for 2008/2009. Duties were still not adequately segregated and records were not updated in a timely manner. This resulted in differences between the stock count and the records. SERHA was again advised to take corrective action as these deficiencies could facilitate pilferage.

**Payables**

69.11 At March 2010, the aged schedule disclosed that SERHA owed its creditors \$652M with \$208M being outstanding for over 91 days.

**North East Regional Health Authority (NERHA)****Outstanding Financial Statements**

70. Since its inception, NERHA has failed to submit annual reports to the Minister to be tabled in the Houses of Parliament in keeping with the PBMA Act.

Management was advised that this impeded timely analysis of the financial affairs of the Authority and could result in errors and irregularities going undetected for protracted periods.

#### **Unauthorised payments and Gratuities**

- 70.1 The required approval from the Ministry of Finance for retroactive increments paid for the period April 2002 to April 2008, totalling \$1.1M to an employee was not obtained; also five (5) officers were overpaid \$11,243 due to erroneous computation of pension contribution and gratuity paid to a contract employee.

#### **Outstanding Annual Returns**

- 70.2 At the time of the audit the annual returns for National Insurance and National Housing Trust were not submitted for the calendar year 2009. NERHA was advised that this could deprive employees of their benefits/entitlements.

#### **Furniture Inventory**

- 70.3 The fixed asset register for the NERHA was last updated in 2008. Furniture and equipment assigned to locations were not marked, or agreed with information on the Location Records. Similarly at the regional health facilities, there was no evidence of independent check to ensure the existence of the assets. Further, differences were noted between the physical count and the Location Records.

#### **Contracts**

- 70.4 Despite our advice to regularize the security arrangement, NERHA paid \$4.6M to a security company without a formal contract. Payment vouchers and supporting documents for two contracts totalling \$3.7M were not presented. In addition, the Procurement Committee did not deliberate on the award of one of the contracts amounting to \$2.3M. We advised NERHA that these inadequacies undermine the procurement and payment procedures and could make it difficult to claim remedy in the event of non-performance.

#### **Store**

- 70.5 We identified several deficiencies in the controls exercised over stores as follows:
- inventory records were not up to date at the St Ann's Bay and Portland Hospitals, and the Portland pharmacy;



- differences between the stock count and balances as per stock records at St Ann's Bay Hospital and the Portland and Port Maria Pharmacies;
- Blank requisition forms were sometimes signed by a senior officer at the Port Maria Hospital; and
- Regular stock counts were not conducted nor were independent checks undertaken at the health facilities to ensure existence of the stock and accuracy of the inventory records.

70.5.1 Management was reminded that failure to exercise proper control over the stores may foster pilferage.

#### **Cash inspection**

70.6 Contrary to the Ministry of Finance's guidelines the main cashiers at several of the regional Health facilities were temporary. Also, lodgements were not made promptly at any of the regional health facilities.

#### **Accounts payables**

70.7 At January 31, 2010, amounts owed to creditors totalled \$180M of this amount \$66M was outstanding for more than 90 days.

#### **Payment Vouchers**

70.8 NERHA's expenditure revealed that original invoices were not obtained for payments made to suppliers of goods and services totalling \$2.8M. Payment vouchers totalling \$2.1M were not certified or authorized. This could lead to unauthorized or duplicate payments and contravenes accounting best practices.

**Bank Reconciliation**

- 70.9 At the time of the audit, the reconciliation of four (4) bank accounts was two to thirteen months in arrears. Reconciling items on two (2) accounts totalling \$46M were not resolved and stale-dated cheques on four (4) accounts totalling \$12.6M were not written back. The Authority was advised that delays in reconciling bank accounts could conceal errors and irregularities and was encouraged to resolve these discrepancies speedily.

**Medical Council of Jamaica (MCJ)**

71. The audit of the MCJ revealed deficiencies in the controls exercised over; expenditure vouchers, cash management, the maintenance of fixed assets records and salaries and wages. This resulted in an officer being overpaid \$270, 169. The Council has advised that corrective measures are being undertaken and recovery has commenced.

**Government Chemist**

72. The audit of the captioned Entity, for the year under review, resulted in the issue of one (1) audit report which included four (4) separate issues to be resolved by the Entity. None of the matters has been satisfactorily resolved.
- 72.1. The following concerns were raised:

**Machines and Equipment Service Contracts**

Maintenance service contracts were not in place to enable regular servicing of the Department's machines and equipment used for analyzing and testing samples. The Department's representative reported that test results did not produce the desired details because of the resulting deficiencies in the machines and equipment. The Department was asked to take the necessary steps to implement a service contract.

**Fee Register**

- 72.2 A review of the Fee Register revealed that fifty-nine (59) of the two hundred and forty-six (246) samples received for testing during the period April 2009 to January 2010, remained untested up to March 2010. This was attributed to the Department's reliance on borrowed machinery to conduct certain tests. It was recommended that representation be made to the relevant authorities to acquire this vital equipment to enable the Department to meet its objectives.

**Furniture and Equipment**

- 72.3 Improvements were recommended in the maintenance of the Department's inventory records as stipulated by the Ministry of Finance's Procedures Manual for Control of Government Furniture, Office Machines and Equipment. Compliance with the prescribed procedure would safeguard its assets.

**Registrar General's Department****Overpayments**

73. Insufficient checks and balances resulted in overpayments of salaries and allowances totalling \$421,498 being made to ten (10) officers. The RGD was advised of the shortcomings and has since commenced recovery.

**Statutory Deductions**

- 73.1 The RGD owed statutory deductions totalling \$20.6M which included employees NIS and NHT contributions. We advised the RGD that its failure to remit the NIS and NHT may deprive the contributors of their benefits.

**Improper uses of fleet vehicles**

- 73.2 One of the Department's fleet vehicles was involved in an accident while driven by a family member of the Chief Executive Officer. The insurance company wrote-off the vehicle and settled the claim for \$1.8M. Our investigations revealed that the cost to replace the vehicle would require an additional \$0.54M. The vehicle has not been replaced to date.
- 73.2.1 The records also showed that fleet vehicles were used for official duties by two executive officers, although they were in receipt of full Motor Vehicle upkeep. Additionally, an official driver was paid overtime of \$420,466 for the period April 2009 – March 2010 to transport these executive officers and staff. We recommended that corrective measures be taken to ensure compliance with established guidelines.

**Pesticides Control Authority**

74. The audit of the captioned Entity, for the year under review, resulted in one (1) audit report being issued, which included nine (9) separate issues to be resolved by the Entity. The following are the outstanding concerns:

**Cash Receipts**

- 74.1 The controls exercised over public funds needs to be improved as cash receipts were not promptly lodged. In January 2009, \$110,000 was lodged without a receipt being drawn, which is contrary to the Ministry of Finance's guidelines and standard accounting procedures. Failure to lodge cash in a timely manner, and to issue receipts breached the guidelines and could expose the Authority to the risks of theft and other irregularities. Management was advised to comply with the guidelines.

**Accounts Receivables**

- 74.2 The general ledger balance and the aged receivables report were not reconciled; consequently a difference of \$236,029 was noted. Management was informed to investigate the discrepancy as this could lead to material misstatement in the financial statements.

**Investments**

- 74.3 Contrary to the Ministry of Finance's guideline vide of Circular No. 14 dated May 24, 2007, the Authority did not have an approved investment policy. Management was advised to comply with the guideline.

**HEADS 4500, 4500A & 4500B – MINISTRY OF YOUTH SPORTS AND CULTURE (MYSC) AND AGENCIES**

75. The audit of the MYSC revealed a generally satisfactory state of affairs except that the ministry did not comply with the procurement guidelines for the engagement of three consultants.. The ministry was reminded that compliance with the guidelines is mandatory.

**Jamaica Cultural Development Commission (JCDC)**

76. The audit of the JCDC revealed control weaknesses in the areas of: salary preparation, procurement of goods and services and accounting for cash. The weaknesses in salary preparation resulted in overpayments totalling \$106,541. The JCDC has since commenced recovery of overpayments.

**Social Development Commission (SDC)**

77. The audit of the SDC revealed weaknesses in the controls governing: payment of salaries; preparation of payment vouchers; management of fixed assets and loans and advances. This resulted in 49 persons being employed in posts which were not on the approved establishment; payments amounting to \$1.2M were not adequately supported; fixed asset records not being faithfully maintained and failure to recover long overdue loans which totalled \$317,872.

- 77.1 Further, the internal controls system was weakened as the Finance and Audit Committee had not met formally since January 2010. The Commission was encouraged to resume these meetings promptly to strengthen its corporate governance.

**Inconsistent Contract Procedures**

- 77.2 We found that SDC was inconsistent in formalising several of its contract agreements. Instances were identified where: contract files were not maintained for contractors; there was no evidence that a competitive process was engaged for the award of contracts valued at \$13.4M. Additionally, there exists no clear structure in relation to the monitoring of contracts.

- 77.2.1 The Commission failed to deduct and remit Contractor's Levy totalling \$240,194. This contravened the requirements of Section 3 of the Contractors Levy Act. It was recommended that appropriate steps be taken by SDC to recover and remit the amounts to the relevant authorities.

**Breaches – Constituency Development Fund (CDF)**

- 77.3 Contracts for services amounting to \$3.9M were not prepared for individuals and organizations that were paid as consultants and project managers. This contravened the established CDF Operational Procedures. Additionally, two signatories from the same group were allowed to sign on CDF payments, in contravention of the guidelines issued by the Ministry of Finance and the Public Service and the CDF Operational Procedures. Management was encouraged to adhere to the procedure and Government Guidelines to ensure that the fund operates at its optimal level.

**Institute Of Jamaica (IOJ)**

78. The audit of the IOJ revealed a generally satisfactory state of affairs. However we identified that one officer was overpaid a total of \$242,469 and that there were weaknesses over the management of fixed assets and the payment process. The weaknesses were reported to IOJ for immediate action.

**Jamaica National Heritage Trust (JNHT)****INADEQUATE CONTRACT PROCEDURES**

79. A project for the repair of the old Iron Bridge in Spanish Town, which had a specified duration of ninety (90) days, had time overrun in excess of seventeen (17) months. Up to the time of this report there was no indication as to the likely completion date. Due to the delay in the completion of the Project, variations totalling \$5.1M were incurred which increases the cost from \$12M to \$17M. Evidence of the National Contracts Commission (NCC) approval for the variations, was not presented and checks revealed that the liquidated damages clause of the contract was not enforced to mitigate losses incurred by the Trust.
- 79.1 We found general weaknesses in the management of contracts such as: poor monitoring of projects, non presentation of technical or progress reports, variations in work not submitted to the Board or Finance Committee for approval and inadequate contract file maintenance.

**CASH RECEIPTS**

- 79.2 There was inadequate segregation of duties in regards to the opening of mail and receipts were sometimes not drawn for cash collected. Management was encouraged to address the irregularities to reduce the risk of fraudulent activities.

**OUTSTANDING ADVANCES**

- 79.3 The Trust did not exercise proper control over loans and advances granted. This resulted in long outstanding uncleared advances totalling \$419,829. The Trust did not have an approved advance policy in place to guide the granting and recovery of advances. Management was advised to regularize this situation.

**FAILURE TO PRODUCE EVIDENCE OF QUALIFICATION**

- 79.4 Proof of qualification was not presented for the Director of Communication and Marketing as such it was difficult to assess whether the post was filled by a suitably qualified individual.

**National Library of Jamaica (NLJ)**

80. The audit of the NLJ revealed a generally satisfactory state of affairs. However, we identified that four officers were overpaid a total of \$63,310 and that there were weaknesses over the management of fixed assets and the payment process. The weaknesses were reported to NLJ for immediate action.

**HEAD 5100 – MINISTRY OF AGRICULTURE & FISHERIES (MAF) AND AGENCIES****Ministry's Head Office**

81. The audit of the accounting records and financial transactions of the MAF revealed a generally satisfactory state of affairs. The weaknesses identified were adequately addressed by the MAF.

**HEAD 5146 – Forestry Department**

- 8.1 The audit of the accounting records and financial transaction of the Forestry Department revealed a generally satisfactory state of affairs.

**Rural Agricultural Development Authority (RADA)**

82. The audit of the accounting records and financial transaction of RADA revealed a generally satisfactory state of affairs. The audit concerns were satisfactorily addressed by RADA except for the following:

**Market Extension**

- 82.1 The Market Extension Project was established for the education of small farmers in respect of packaging and display of goods for sale. These were conducted by Extension Officers.
- 82.1.1 The audit was unable to properly assess the objectives to be achieved in this area, as the Authority did not, despite repeated requests, provide document(s) outlining the scope of the projects and their measurable results.

**St. Catherine Parish Office**

- 82.2 The Parish Office failed to present letters of employment for two (2) employees, as required by Chapter 2 of the Staff Orders for the Public Service.

**Motor Vehicle Inventory**

- 82.3 RADA did not maintain motor vehicle inventory records and operational efficiency records, as required by the MOFPS.

**Coffee Industry Board**

83. The audit of the captioned Entity, for the period under review, resulted in an inspection report which included fourteen (14) areas of concern to be resolved by the Entity. Up to the time of report, these issues remained outstanding.



**Absence Of Procurement Committee**

- 83.1 A procurement committee had not been formed to oversee the procurement decisions of the Board.

**Weak Cheque Disbursement Process System**

- 83.2 The controls over the Board's disbursement process required improvement as pertinent details relating to each payment (for example, the name and address of the payee, the amount payable and the nature of the payment) were not included on the cheque payment voucher. Further, supplier bills were not certified or stamped "paid" to prevent re-use. Management was advised to strengthen the controls over this process.

**Unauthorized Bank Overdraft**

- 83.3 Overdraft interest and other related charges totalling \$13,594 were incurred on two (2) bank accounts. Additionally, the Coffee Industry Board did not obtain the Ministry of Finance and the Public Service approval for operating an overdraft facility.

**Lack Of Bank Reconciliation**

- 83.4 Three (3) of the Board's bank accounts were not being reconciled in a timely manner. Further, fifty-two (52) stale-dated cheques totalling \$1.1M were being carried on the outstanding cheque listing for one (1) of these accounts. Some of these cheques were dated as far back as August 2003. Management was advised to take corrective action as these weaknesses could facilitate errors and irregularities going undetected for protracted periods.

**Procurement Breaches - Contracts**

- 83.5 Five (5) contracts costing approximately \$23.29M, which were awarded during the period under review, were in breach of the stipulated procurement rules as follows; in four (4) instances the requisite Tax Compliance Certificates (TCC) were not presented as a pre-condition for selection of the suppliers and formal contractual agreements were not seen. The required numbers of competitive quotations were also not seen for some purchases.

**Absence of Audited Financial Statements**

- 83.6 Contrary to the requirements of Part 11 Section 3 of the Public Bodies Management and Accountability Act, audited financial statements for the Coffee Industry Board, for years ended July 31, 2008 and 2009 were not submitted to the Houses of Parliament. Compliance with the stipulated requirements was recommended.

**Overpayments**

- 83.7 Four (4) officers were overpaid separation salaries totalling \$4.2M. Additionally, these officers received ex-gratia payments totalling \$920,097 despite, the CIB not receiving the Ministry of Finance's approval. Also, CIB failed to recover the officers' motor vehicle loan balances which totalled \$3.7M.

**Bad Debts**

- 83.8 There was no evidence that the approval of the Financial Secretary was obtained for the write-off of bad debts totalling \$3.6M in respect of five (5) debtors. In addition, the Board had no documented policy for the write-off of debts and the board of director's approval and justification for these write-offs was not presented.

**Outstanding Income Tax**

- 83.9 Income Tax totalling \$424,059 were not deducted from fees and emoluments paid to board members and staff respectively.

**Staff Loan - Regulation Breach**

- 83.10 Contrary to the requirements of the Guidelines to Financial Management in Public Sector Entities which stipulates a minimum interest rate of 8% on staff loans, nine (9) officers were granted loans totalling \$6M at interest rates of between 0% and (3%) percent. Additionally, no evidence was seen that these loans were secured.

**Sugar Industry Authority**

- 84.** The audit of the captioned Entity, for the period under review revealed that management was inconsistent in its application of the internal control procedures. We identified twenty (20) areas of concern which were reported to the Authority. However, the SIA did not respond to the report. The significant matter was:

**FAILURE TO FOLLOW THE PROCUREMENT GUIDELINES**

- 84.1** An officer received payments of \$4.4M during the period January 27, 2009 to January 04, 2010 for airtime, production and presentation costs for a radio program. We were unable to determine how the Authority satisfied itself that the prices paid were fair and reasonable, as no evidence was presented to confirm that competitive price quotations were obtained. Further, a written contract was not presented for scrutiny and there was no certification on the supporting invoices that services were satisfactorily rendered.

**Jamaica 4-H Clubs**

- 85.** The management of the Jamaica 4-H Clubs failed to monitor its staff members' compliance with the established internal control system. The audit identified several weaknesses which expose the Entity to the risk of error and fraud. Management was informed that improvement was needed in the system that governs payment of emoluments and the procedures to account for funds received and spent. The Club has not responded to the report issued, despite the deadline given.

**HEAD 5600, 5600A, 5600B – MINISTRY OF ENERGY & MINING (MEM) AND AGENCIES**

86. The audit of MEM revealed a generally satisfactory state of affairs except that we identified that overpayments were made to a staff totalling \$34,561. MEM has subsequently advised that recovery was in progress.

**Jamaica Bauxite Institute (JBI)**

87. The audit of the JBI, for the year under review, resulted in one (1) audit report being issued which included eight (8) separate concerns to be resolved by the Entity. The following are the outstanding issues:

**Projects**

- 87.1 Contrary to the Institute's procedure manual for the Plant Nursery, sales collections were not remitted to the Accounts section on a daily basis. Also, the audit identified differences in the unit prices recorded on the delivery slips and the Institute's Price list. JBI was advised to investigate the discrepancies and urged to implement procedures to guard against loss of revenue due to error or fraud.

**Absence of Contract**

- 87.2 The JBI did not have a contract to govern its arrangement with Alcan Inc for the provision of services. We advised JB to have this matter regularized.

**Post and Telecommunications Department (PTD)**

88. The audit of the PTD resulted in the issue of three (3) audit reports which included twenty-one (21) separate issues to be resolved by the Department. The following are the outstanding significant concerns:

**Missing Cash**

- 88.1 Our inspection of the National Insurance Imprest for the period April 2009 to May 2010 revealed that amounts totalling \$9.7M was missing. We found that the necessary internal checks of the monthly Deposit Cash Account Statements were not being performed by the supervisors at the Central Sorting Office.

- 88.1.1 The Postmaster General reported that up to September 2010, the loss had increased to \$30.5M and further investigations were being conducted. An Accounting Clerk was arrested and charged in the matter.

### **Post Offices**

- 88.2 The audit of eight (8) Post Offices revealed cash and stamp imprest shortages of \$4,444. There was also a lack of proper security and accommodation at six (6) Post Offices. Weaknesses in the controls over parcels and letter boxes were identified.

### **Commercial Services Department**

- 88.3 The Commercial Services Department (CSD) is a department of the Postal Corporation of Jamaica Limited/Postmaster General. The Department offers bill payment and financial services to the public on behalf of various companies.

- 88.3.1 The following concerns were raised during the audit:

- 88.3.2 Weaknesses were identified in the control of cash and maintenance of records relating to the Corporation's contract to sell Smart Cards on behalf of the Jamaica Urban Transit Company (JUTC). Also, it appeared that various cash reports generated were inaccurate. These weaknesses represent breaches of the Financial Administration and Audit Act Instructions 4.19, 4.26 to 4.28 and 4.36, which stipulate the controls that should be exercised over the receipt, recording and lodgement of cash.

- 88.3.3 There was no evidence that the Corporation analyzed reports received from a bill payment agency to ensure reconciliation with its records. The Corporation was charged amounts totalling \$247,835 as lost revenue and collection shortages. Fifteen (15) Post Offices also had shortages in lodgements totalling \$111,508. The claims for charges made by the bill payment agencies were not investigated by PTD. The Corporation was advised to comply with the stipulations of the Ministry of Finance's Circular 9 dated May 21, 2007 by investigating the losses and making the necessary reports to the Auditor General and Financial Secretary.

- 88.3.4 The Corporation participated in the Magnum Promotions by collecting entries and redeeming 'instant money caps'. A review of the related reconciliation revealed that \$24,500 was unaccounted for by five (5) Post Offices. There was no evidence that this matter was investigated and resolved.

**Water Resources Authority (WRA)**

89. An audit of the accounting records and financial transactions of the above named Entity was undertaken to assess whether operations were in compliance with Government's Regulations. Ten (10) points of concern were raised in the audit report of which the following remain unresolved:

**CONTRACTUAL AGREEMENT**

- 89.1 The Authority failed to secure a written agreement for the purchase and installation of a flood warning system which initially cost the Entity US\$68,046. The equipment malfunctioned after the first shower of rain and following deliberations the Authority agreed to pay the overseas supplier an additional US\$20,000 for repairs. Management reported that a contract was not prepared in the first instance.

**HEAD 5300 - MINISTRY OF INDUSTRY AND COMMERCE****Scientific Research Council (SRC)**

90. The audit of SRC identified eight (8) matters of concern. The SRC has since taken steps to resolve the issues.

**Anti – Dumping & Subsidies Commission**

91. An audit of the Financial Transactions and accounting records of the captioned Entity for the year under review resulted in the issue of one audit report which included eleven (11) issues to be resolved by the Commission. The following issues remained outstanding:

**Salaries and wages**

- 91.1 There was no evidence of approval by the Ministry of Finance for the employment of an officer in the position of International Trade Economist which was not included in the Entity's establishment. Failure to acquire approval is a breach of section 20 of the Public Bodies Management and Accountability Act (PBMA). Management advised that they were taking steps to regularize the matter.

**Contracts**

- 91.2 The signed contracts totalling \$398,595 per annum with three (3) service providers were not presented for audit. Failure to provide the contracts is a breach of section 15 of the Public Bodies Management and Accountability Act (PBMA) which indicates that the Auditor should be furnished with information, explanations, records and documents to enable him to prepare his audit reports. This made it difficult to ascertain whether contracted entities were engaged according to the Government's Procurement Guidelines. Management was asked to locate and present the contracts for review.

**Internal Control Weaknesses****Cash Management**

- 91.3 The following control weaknesses were noted in this area:
- (a) During the period under review the lodgement of \$2,693 in cash collected by the cashier was not done intact;
  - (b) the original copy was not retained for one cancelled receipt that was seen.
  - (c) The accountant who is responsible for the authorizing petty cash vouchers was also assigned as the relief custodian of petty cash; and
  - (d) the executive director who is the relief custodian of blank cheques is also a signatory to the bank accounts.
- 91.4 These internal control weaknesses could result in loss of funds. It was recommended that Management take the necessary steps to strengthen the internal controls. Management subsequently advised that steps were being taken to address the weaknesses identified.

**Companies Office of Jamaica (COJ)**

92. The audit of the COJ revealed a generally satisfactory state of affairs. The COJ was advised to ensure that their procurement procedures comply with the existing guidelines.

**Bureau Of Standards Of Jamaica (BSJ)**

93. The audit of the BSJ revealed a generally satisfactory state of affairs except for the following:
- 93.1 The BSJ was advised to recover overpayments made to five (5) members of staff.



**Staff Loan and Advances**

- 93.2 No approval was seen from the Ministry of Finance and the Public Service for the Bureau's Loan Policy and Procedures. Contrary to the Guidelines to Financial Management in the Public Sector Entities Section 3.05, computer loans were exempted from interest charges and the policy did not specify the loan limit. Further the BSJ breached Section 3.05.02 of the Guidelines because it did not consult with the Ministry of Finance for an educational loan granted for \$1.2M. The BSJ advised that steps would be taken to ensure future adherence to the Guidelines.

**Motor Vehicles and Advance Debit Cards**

- 93.3 The BSJ did not keep a history of the repairs, maintenance and fuel transactions for the vehicles it owned. The Ministry of Finance requires that an operational efficiency record is maintained for all fleet vehicles. In the absence of this, the BSJ has compromised its ability to readily determine whether a vehicle is uneconomical to operate.

**HEADS 6300, 6300A & 6300B – MINISTRY OF WATER & HOUSING (MWH) AND AGENCIES**

94. The audit of the MWH revealed a generally satisfactory state of affairs except that the MWH did not faithfully maintain motor vehicle operational efficiency records and could not substantiate fuel charges totalling \$77,509.

**National Water Commission (NWC)****Water Benefit- Staff**

95. The National Water Commission has a policy which allows permanent staff up to a total of 9000 gallons of water credit per month which is applied to the employees' residence. There was no evidence that approval of the Ministry of Finance and the Public Service was sought. This exemplifies a breach of the guidelines to Financial Management in Public Sector Entities section 2.02 (.04) which states "public entities are required to seek the approval of the Ministry responsible for the public service emolument packages- that is; salaries, allowances and perquisites – proposed for its employees."
- 95.1 As at June 2010; an examination of 1611 staff accounts revealed that over \$8.5M represented amounts owed to NWC for water billings in excess of the 9000 gallon allowance. The Commission was advised to obtain approval from the Ministry of Finance and the Public Service for this allowance policy and recover the outstanding amounts. Such deficiencies will negatively impact on cash flows required for operations.

**Annual Report**

- 95.2 The annual report and audited financial statements for 2008/2009 had not been submitted to the portfolio Ministry for submission to Parliament. This breached both the National Water Commission Act section 17 (1) and (2) and the Public Bodies Management and Accountability Act 2001 section 3 which states *inter alia* "that as soon as possible after the end of the financial year, but not more than four months thereafter, a copy of the annual report and audited financial statements of each public body shall be submitted to the responsible Minister...".
- 95.2.1 The commission was encouraged to make every effort to comply with the Acts.

**Un-remitted statutory deductions**

95.3 The records revealed that statutory deductions from employees' emoluments totalling \$216M for the period ended March 31, 2010 were not remitted to the Inland Revenue Department.

95.3.1 In addition, Corporation taxes amounting to over \$184 million were outstanding for the periods – 2004/2005, 2005/2006 and 2006/2007.

95.3.2 Failure to remit statutory deductions and corporation tax not only breaches the Income Tax Act, but section 3.03 of the Guidelines to Financial Management in public entities was also breached; it states "the Chief Executive Officer shall ensure that all returns are made promptly to the respective Statutory Agencies". Management was advised to remit outstanding amounts to ensure compliance with the guidelines.

**Staff loans**

95.4 There was no evidence to support that NWC obtained the requisite approval from the Ministry of Finance and the Public Service for the operation of a staff loan system.

95.4.1 Staffs were not required to provide security for the loans nor were the loans subject to interest charges. This is a breach of the Guidelines to Financial Management in Public Sector Entities section 3.05 (.01) which stated that "Entities should immediately introduce a policy for staff loans to include *inter alia*, limits, eligibility, purpose, security and repayment terms and conditions. Interest rates should be applied...". The Entity was advised to obtain approval for the continued operation of the scheme.

**Consultants**

95.5 An examination of Consultant contracts and other related documents revealed that a company contracted to provide consulting services for installation of a CIS (Customer Information System) was paid US \$957,240. Actual payments amounted to US\$ 961,410 resulting in an over expenditure of US\$4,170. The company had not provided the required insurance coverage and performance bond, equivalent to 2% of contract price, as per the terms of the contract.

**Emoluments**

95.6 There was no evidence presented that the payment of allowances totalling \$113,414.87 for additional duties performed by two officers was duly approved

by the Ministry of Finance and the Public Service. The commission was advised to seek the requisite approval from the Ministry of Finance and Public Service as this is a clear breach of the guidelines to Financial Management in Public Sector Entities section 2.02 (.04) which states that “public entities are required to seek the approval of the Ministry responsible for the public sector emolument package that is; salaries, allowances and perquisites – proposed for its employees.”

- 95.6.1 There was no evidence of a signed bond agreement for an officer, who was granted paid study leave for the period September 11, 2008 to August 31, 2009 to pursue a degree programme at Monroe College, New York. The officer was paid \$694,121 during the period and subsequently resigned from the Commission. The Commission was advised to recover the amounts.
- 95.6.2 An officer contracted as a project manager for the CIS Implementation Project, was paid gratuity of \$1.5M (25% of the contract sum) which was not provided for in the contract. Furthermore, there was no evidence that the requisite approval was obtained from the Ministry of Finance and the Public Service. The Commission was advised to take corrective action as such disbursement constitutes an overpayment.

#### **Credit Cards**

- 95.7 There was no evidence that the Ministry of Finance and the Public Service approved the operation of a US Corporate MasterCard with a limit of US \$10,000. Quarterly reports were not submitted as stipulated by Ministry of Finance and the Public Service Circular No 11 Ref: # 107/059 dated September 28, 2009. The Entity was advised to obtain the requisite approval for a US\$10,000 limit.

#### **Accounts receivables and payables**

- 95.8 The receivables summary aged report submitted as at March 31, 2010 revealed amounts totalling \$7.7B was outstanding for over 31 days.
- 95.8.1 In addition, the payables summary aged report revealed a total of \$704.7M outstanding as at March 31, 2010.

#### **Bad debt**

- 95.9 There was no evidence to corroborate that The Board or the Ministry of Finance and the Public Service’s prior approval was sought for the writing- off of over

\$398.9M in Customer accounts balances as at March 31, 2010. This is contrary to the Ministry of Finance and the Public Service's Circular No. 9 ref: file no. 107/022 dated May 21, 2007 section 6.51 which states "The authority to write off losses in excess of \$50,000 is vested in the Financial Secretary". The Entity was advised to obtain approval for write offs from the Ministry of Finance and the Board of Directors.

### **Royalties**

- 95.10 A review of the Commission's records for the period 2009/2010 revealed that as at March 31, 2010, there was \$16.9M in outstanding royalties. There was no formal agreement between NWC and excavators outlining the terms and conditions of the arrangement in regards to the excavation of marl on NWC property.

### **Rent**

- 95.11 As at March 31, 2010, Rent income from properties owned by the NWC amounting to approximately \$34M remained outstanding. The Commission was advised to collect the respective amounts.

**PARISH COUNCILS****Kingston & St Andrew Corporation (KSAC)**

96. The audit of the KSAC, for the year under review, resulted in the issue of seventeen ( 17) reports covering forty-nine (49) issues.
- 96.1 Several weaknesses were identified during the audit of the KSAC. The Corporation was advised of all the weaknesses and urged to implement corrective measures.

**Unauthorized Overdraft charges**

- 96.2 Despite being advised in 2009 that the operation of the overdraft facility was in breach of Section 23(1) of the FAA Act and subsequent recommendation to the Financial Secretary for surcharges to be imposed, which was later withdrawn<sup>25</sup>, the management of KSAC continued to disregard the legal provisions, which resulted in overdraft charges in excess of \$982,763. This practice persisted for over twenty (20) months; \$624,708 in 2008; \$343,055 for the period April 2009-September 2010. The Corporation was advised to curtail such practice and was reminded that surcharge will again be made to the Financial Secretary.

**Expenditure Vouchers**

- 96.3 Supporting documents in respect to ten (10) payments amounting to \$4.6M were not presented.

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<sup>25</sup> Two (2) officers were recommended for surcharge action, however, the Ministry of Finance only imposed charges on one of the two.

**St. Ann Parish Council (SAPC)****Bank Reconciliation**

97. The bank reconciliation statement at March 31, 2010 disclosed seven outstanding lodgements amounting to \$88,800, reportedly made between November 2009 and March 2010 by the SAPC's collecting agents. The lodgements were not reflected on the corresponding Bank Statements.
- 97.1 Thirty-two entries of 'unrecorded deposits' dating back to 2004 and totalling \$391,459 were being carried on the bank reconciliation statements as adjustments.
- 97.1.2 These deposits had appeared on the bank statements but there were no corresponding receipts from the collecting agents to verify the actual amounts lodged.

**Collection of Revenue**

- 97.2 The Commercial Services Department is responsible for accounting for the collections at the Transportation Centres, Car Parks and the Markets. A review of the controls exercised over the ticket books in use by the clerks stationed at the abovementioned locations, revealed that they were each in possession of more than one pre-numbered ticket book of the same value at any one time. Ticket sequences were often broken and there was no system in place to ensure that all one hundred tickets in a book were exhausted before a new book was used.

**Property Management**

- 97.3 An examination of the SAPC's records revealed that an acceptable Central Register or a Master Inventory, giving details of all the properties owned by the SAPC was not maintained.
- 97.3.1 This record is required to assist the SAPC in enhancing its accountability and ensuring that maximum benefits are accrued from the use of these properties and that they are properly safeguarded from vandalism and informal occupation.

**Outstanding Rents, Leases and Licenses**

- 97.4 The records disclosed outstanding rents, leases and licenses amounting to \$6M (rent/leases \$5.2M, barbers and hairdressers licences \$804,000) was owed by delinquent clients of the SAPC.

**The Constituency Development Fund**

- 97.5 The Council's records disclosed that one hundred and sixty (160) water tanks were purchased at a cost of \$1.1M and reportedly distributed in various drought stricken areas to alleviate the water crisis.
- 97.5.1 However, the recipients of the tanks were not identified. Proof of the SAPC's Procurement Committee's ratification was not presented.

**St. James Parish Council (SJPC)****Unremitted Contractors Levy**

98. Contractors Levy amounting to \$709,158 which was collected during the period January to December 2009 was not remitted to the Inland Revenue Department. Further, the Council failed to deduct the prescribed 2% Levy amounting to \$31,120 from a contract signed in April 2009 for Road Rehabilitation.

**Collection of Revenue**

- 98.1 An examination of the Council's records revealed that in April 2006 the SJPC had contracted with a Company to sell parking meter tickets on their behalf. From the documents presented, the SJPC should receive 60% of the proceeds on a monthly basis. We found that since April 2008, the company has not remitted any money to the SJPC.



**Property Management**

98.2 During the inspection at the Infirmary, it was observed that informal settlers were occupying a significant portion of the Infirmary's property.

98.2.1 Several houses were built around the Infirmary. There was no Security present at the facility.

**Hanover Parish Council****Bank Reconciliation**

99. At the end of December 2008, the Council's bank statement reflected an overdraft of \$1M on its bank account, attracting bank charges of \$30,400. This constitutes a breach of Financial Instructions 6.3, and could attract penalties.

**Property Management**

99.1 The records disclosed that several properties owned by the Council were not being maintained nor were they subjected to any gainful economic use; therefore making them vulnerable to vandalism and informal occupation.

99.1.2 The Central Register has not been updated since July, 1998 .

**Inadequate Storekeeping and Stores Control**

99.2 A visit to the Council's Infirmary revealed that a Stores Ledger was not maintained and request for items were done verbally and not signed for.

**Clarendon Parish Council (CPC)****Outstanding Lodgement**

100. The Council's records disclosed that a lodgement of \$4,641,205.19 reportedly made on July 1, 2009 could not be accounted for. It was not reflected on the Council's bank statements for July 2009 or on the statements for the subsequent months. This error was not detected until February 2010.

100.1 The Council's failure to retrieve the deposit bag and the carbonized copy of the lodgement slip from the bank the following day, as well as in- adequate internal controls were contributory factors.

100.1.1 We were subsequently advised that the lodgement was lost and \$3.2M has since been replaced. The cash portion was recovered from staff pending Fraud Squad investigations.

### Procurement

100.2 A formal contract between the CPC and a security company for providing security services at the Roads and Works Department since February, 2009 was not presented.

100.2.1 The Council honoured expenses amounting to \$467,246 for the Clarendon Parish Development Committee Benevolent Society on behalf of the Department of Local Government. The amounts spent should be refunded to the Council by that Department.

100.2.2 At the time of Audit, the Department of Local Government failed to repay the full amount.

### Outstanding Rents, Leases and Licenses

100.3 The Council's records disclosed outstanding rents, leases and licenses amounting to \$4M owed by delinquent clients of the Council.

The amount was broken down as follows:

<b>Rents/Lease</b>	<b>\$3,336,586.00</b>
<b>Barbers/Hairdressers</b>	<b>\$672,500.00</b>
<b>Butchers</b>	<b><u>\$32,550.00</u></b>
<b>Total</b>	<b><u>\$4,041,636.00</u></b>

### Trelawny Parish Council (TPC)

### Property Management

101. An examination of the Council's records disclosed that several properties owned by the Council remained vulnerable to vandalism and informal occupation as there was no effective measures in place to either, put the properties into productive use, or to safeguard them against such risks.

**Collection of Revenue**

101.2 The records disclosed that amounts collected for market and car park fees, were not lodged intact by the Council's representatives. During the period April 2010 to July 2010, there were fourteen (14) instances of short lodgements totalling \$28,800.

**Outstanding Rents, Leases and Licenses**

101.3 The records disclosed outstanding rents, leases and licences amounting to \$2.8M owed by delinquent clients of the Council.

**HEADS 6500, 6500A & 6500B – TRANSPORT & WORKS (MOTW) AND AGENCIES**

102. The audit of MOTW revealed a generally satisfactory state of affairs. The following exception was however noted:

**Contract breaches**

102.1 There is no evidence that MOTW obtained a TCC prior to the award of contract which had a value of US\$ 103,130 to a company. Further, the said company failed to deliver the goods within the agreed time but the MOTW did not institute the liquidated damages clause in the contract.<sup>26</sup>

**Aeronautical Telecommunications Ltd.****EMPLOYMENT PROCEDURE BREACH**

102.2 We noted that the candidates selected to fill positions which were advertised did not meet the eligibility criteria stipulated by the MOFPS. The Entity was advised to comply with the MOFPS employment procedures and guidelines.

**Overpayment of Motor Vehicle Allowance**

102.3 Overpayments totalling \$123,463 was made to one (1) senior officer because the responsible officer failed to check the motor vehicle documents.

**Security Services**

102.4 The procurement committee's recommendation for the provision of security services was not supported by the Board. The Board instead selected another contractor that tendered for the services. This action conflicts with the requirements of the RHPPP.

102.4.1 The original tender was \$16.8M. However, the contract signed on December 24, 2009 revealed a contract sum of \$17.8M. The National Contract Committee's approval was not obtained for the award of this contract as required by the Ministry of Finance and the Public Service Circular No. 36 dated September 22, 2008.

<sup>26</sup> This is a agreed amount by parties to a contract which become payable upon the occurrence of specific breach of the said contract.(e.g. late performance)

**Control over Motor Vehicle**

102.5 There was no evidence in the motor vehicle log books/sheets to indicate whether approval was granted for motor vehicle assignment. Additionally, there was no indication of the reason(s) for the trips undertaken. The Company did not maintain daily assignment sheets and operational efficiency reports. The Entity was advised to ensure that effective controls are in place over the use of motor vehicles.

PAMELA MONROE-ELLIS, F.C.C.A., F.C.A., C.I.S.A.,  
AUDITOR GENERAL  
24<sup>TH</sup> DECEMBER, 2010.

## APPENDIX "A"

### OUTSTANDING APPROPRIATION ACCOUNTS AS AT DECEMBER 2010 IN RESPECT OF FINANCIAL YEARS 2005/2006 TO 2009/2010

HEAD	MINISTRY/DEPARTMENT	OUTSTANDING APPROPRIATION ACCOUNTS				
		2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
0200	Houses of Parliament			√		
1548	National Environment and Planning Agency (NEPA)					√
1600A	Office of the Cabinet					√
1649	Management Institute for National Development (MIND)		√		√	√
1700A	Ministry of Tourism					√
1700B	Ministry of Tourism				√	
2000B	Ministry of Finance					√
2012	Customs Department					
2015	Inland Revenue					
2018	Public Debt Charges (Interest Payments)					√
2019	Pensions					√
2622	Police Department					
2800	Ministry of Justice			√		
2800A	Ministry of Justice			√		
2800B	Ministry of Justice					
2826	Family Court					
2827	Resident Magistrates' Court			√		
2829	Supreme Court					
2831	Attorney General					
2833	Office of the Parliamentary Counsel					
3000	Ministry of Foreign Affairs and Foreign Trade		√	√	√	
3000A	Ministry of Foreign Affairs and Foreign Trade					√
3000B	Ministry of Foreign Affairs and Foreign Trade			√	√	
4000	Ministry of Labour and Social Security					
4000A	Ministry of Labour and Social Security					
4000B	Ministry of Labour and Social Security			√		
4234	Bellevue Hospital					√
4235	Government Chemist					√
4251	Child Development Agency	√	√	√	√	√
4300A	Ministry of Information, Culture, Youth and Sports					√
4300B	Ministry of Information, Culture, Youth and Sports					√
5100A	Ministry of Agriculture and Lands					
5100B	Ministry of Agriculture and Lands					
5147	National Land Agency			√	√	
5200	Ministry of Industry, Technology, Energy and Commerce				√	√
5200A	Ministry of Industry, Technology, Energy and Commerce				√	√
5200B	Ministry of Industry, Technology, Energy and Commerce				√	√
5300A	Ministry of Industry, Technology, Energy and Commerce					√
5300B	Ministry of Industry, Technology, Energy and Commerce					√

**Key:**

√ – Outstanding

## APPENDIX "A"

### OUTSTANDING APPROPRIATION ACCOUNTS AS AT DECEMBER 2010 IN RESPECT OF FINANCIAL YEARS 2005/2006 TO 2009/2010

HEAD	MINISTRY/DEPARTMENT	OUTSTANDING APPROPRIATION ACCOUNTS				
		2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
5900	Ministry of Energy, Mining and Telecommunications					√
5900A	Ministry of Energy, Mining and Telecommunications					√
5900B	Ministry of Energy, Mining and Telecommunications					√
6300A	Ministry of Water and Housing				√	
6300B	Ministry of Water and Housing				√	
6500A	Ministry of Transport and Works					
6500B	Ministry of Transport and Works					
6650	National Works Agency		√	√	√	√
7200	Ministry of Local Government and Environment					√
7200A	Ministry of Local Government and Environment					√
7200B	Ministry of Local Government and Environment					√
7248	National Environment and Planning Agency (NEPA)				√	
<b>TOTAL</b>		<b>1</b>	<b>4</b>	<b>10</b>	<b>13</b>	<b>25</b>
<b>Outstanding for 2008/2009</b>		<b>2</b>	<b>3</b>	<b>15</b>	<b>29</b>	<b>-</b>
<b>Outstanding for 2007/2008</b>		<b>2</b>	<b>5</b>	<b>50</b>	<b>-</b>	<b>-</b>

**Key:**

√ – Outstanding

**APPENDIX “B”**  
**OUTSTANDING FINANCIAL STATEMENTS AS AT DECEMBER 2010 IN**  
**RESPECT OF FINANCIAL YEARS 2003/2004 TO 2009/2010**

NAME OF ENTITY		OUTSTANDING FINANCIAL STATEMENTS						
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	
Management Institute for National Development	-	-	-	-	-	√	√	
Parochial Revenue Fund	-	-	-	-	√	√	√	
National Environment and Planning Agency	-	-	-	-	-	√	√	
National Land Agency	-	-	-	-	-	√	√	
National Insurance Scheme	-	-	-	-	-	√	√	
National Council on Drug Abuse	-	-	-	√	√	√	√	
Fair Trading Commission	-	-	-	-	-	√	√	
Water Resources Authority	-	-	-	√	√	√	√	
Jamaica National Heritage Trust	-	√	√	√	√	√	√	
Social Development Commission	-	-	-	-	√	√	√	
Creative Production and Training Centre	-	-	-	√	√	√	√	
Capital Development Fund	-	-	√	√	√	√	√	
National Youth Service	-	-	-	-	√	√	√	
Institute of Jamaica	-	-	√	√	√	√	√	
National Gallery of Jamaica	√	√	√	√	√	√	√	
Jamaica 4H Clubs	-	-	-	√	√	√	√	
Council of Community Colleges	-	-	-	√	√	√	√	

**Key:**  
√ – Outstanding



**APPENDIX “B”**  
**OUTSTANDING FINANCIAL STATEMENTS AS AT DECEMBER 2010 IN**  
**RESPECT OF FINANCIAL YEARS 2003/2004 TO 2009/2010**

NAME OF ENTITY		OUTSTANDING FINANCIAL STATEMENTS					
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Pharmacy Council	-	-	-	√	√	√	√
Pest Control Authority	-	-	-	-	√	√	√
Child Development Agency	-	-	-	√	√	√	√
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>15</b>	<b>20</b>	<b>20</b>
<b>Outstanding for 2008/2009</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>15</b>	<b>20</b>	<b>-</b>
<b>Outstanding for 2007/2008</b>	<b>7</b>	<b>8</b>	<b>14</b>	<b>23</b>	<b>33</b>	<b>-</b>	<b>-</b>

**Key:**  
√ – Outstanding

**APPENDIX “C”**  
**OUTSTANDING RECEIPTS & PAYMENTS STATEMENTS AS AT DECEMBER**  
**2009, IN RESPECT OF FINANCIAL YEARS 2004/2005 TO 2009/2010**

NAME OF ENTITY	OUTSTANDING RECEIPTS & PAYMENTS STATEMENTS					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Milk River Bath Hotel	√	√	√	√	√	√
Police Public Complaints Authority				√	√	√
Bath Fountain			√	√	√	√
National Commission on Science & Technology			√	√	√	√
Medical Council Of Jamaica						
Jamaica Veterinary Board				√	√	√
Professions Supplementary to Medicine						
Apprenticeship Board						
Jamaica Library Service				√	√	√
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Outstanding for 2008/2009</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>-</b>	<b>-</b>
<b>Outstanding for 2007/2008</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>9</b>	<b>-</b>	<b>-</b>

**Key:**  
√ – Outstanding

**EXCESS ON VOTES NOT COVERED BY PARLIAMENTARY APPROVAL AS SHOWN BY THE APPROPRIATION ACCOUNTS RECEIVED**

Head	Min./Dept.	1994/1995	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	TOTAL
18	Public Service & Environment	810,051															810,051
100	His Excellency the Governor General & Staff				250,114	4,621											254,734
200	Houses of Parliament								959,197				357,354				1,316,551
600	Office of the Services Commission			750,591				294,147								276,602	1,321,340
1510	Jamaica Information Service			2,237,051			8,382,541	31,523									10,651,114
2011	Accountant General					1,662,042											1,662,042
2012	Customs					19,862,421				15,806,868		4,618,493					40,287,782
2014	Income Tax Inland			3,002,591			492,070										3,494,661
2015	Revenue			4,463,497		1,018,021		174,497			25,444,654						31,100,669
2019	Pensions				49,239,356						272,642,626						321,881,983
2041	Taxpayer Audit and Assessment												712,295				712,295
2600	National Security and Justice	50,893,738	4,004,492			23,182,220						42,689,830					120,770,280
2600A	National Security and Justice						17,780,291						3,703,307				21,483,598
2600B	National Security and Justice		10,023,748	780,705													10,804,453
2622	Police Department			12,541,925			50,009,094					48,079,531					110,630,550
2624	Correctional Services							20,746,204									20,746,204
2823	Court of Appeal													1,788,555			1,788,555
2626	Family Court					819,140								2,256,359			3,075,499



**EXCESS ON VOTES NOT COVERED BY PARLIAMENTARY APPROVAL AS SHOWN BY THE APPROPRIATION ACCOUNTS RECEIVED**

Head	Min./Dept.	1994/1995	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	TOTAL
5400A	Commerce and Technology						230										230
5400B	Commerce and Technology						299										299
5500	Mining & Energy							2,981,234									2,981,234
5500A	Mining & Energy					982,651	1,033,101										2,015,753
5500B	Mining & Energy									500,000							500,000
6000A	Public Utilities & Transport			12,541,070	25,891,124												38,432,193
6000B	Public Utilities & Transport			81,489,332													81,489,332
6300	Water and Housing										8,538,586						8,538,586
6400	Environment & Housing						5,977,619										5,977,619
6400A	Environment & Housing			26,119,083			7,516,657										33,635,740
6400B	Environment & Housing						4,591,537										4,591,537
6500	Transport and Works				25,576,503												25,576,503
6500A	Transport and Works									1,534,338	32,549,957						34,084,296
6500B	Transport and Works										44,491,068						44,491,068
7100	Local Government & Works				1,792,124												1,792,124
7100A	Local Government & Works			6,278,696	62,478,692												68,757,388
7200	Local Government, Youth and Community Dev.							266,012,070	50,344,549	83,097,644		3,417,368					402,871,631
	<b>TOTAL</b>	<b>51,703,789</b>	<b>70,117,975</b>	<b>240,650,263</b>	<b>177,763,613</b>	<b>229,873,950</b>	<b>120,059,035</b>	<b>394,044,809</b>	<b>101,735,117</b>	<b>151,590,294</b>	<b>495,451,252</b>	<b>106,075,919</b>	<b>22,347,011</b>	<b>9,782,093</b>	<b>10,933,749</b>	<b>276,602</b>	<b>2,182,405,472</b>

**APPENDIX E**

<b>Improper Payments</b>	<b>2007 / 2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
SDF	1,177,270.54		
National Irrigation Commission		1,763,252.31	
Development Bank of Jamaica		855,119.00	
Harmonisation Limited		51,820,000.00	
SHRA		1,264,532.00	
Inland Revenue			315,446.00
Jamaica Customs	5,000,000.00		9,163,953.00
Ministry of Labour & Social Security		30,511,209.00	
Ministry of Justice		15,600,000.00	
RGD	2,714,810.00		
Bellevue Hospital		400,000.00	
Ministry of Labour	199,045.00		
Spectrum Management Authority		3,111,375.00	
Fiscal Services Ltd	810,714.00		
Anti-Dumping	710,915.00		
Jamaica 4-H Clubs	200,040.00		
Church Teachers' College			214,989.00
<b>TOTAL</b>	<b>10,812,794.54</b>	<b>105,325,487.31</b>	<b>9,694,388.00</b>

**APPENDIX Ei**

<b>Unapproved Payments</b>	<b>2007 / 2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>	<b>2009 / 2010-CDN\$</b>
Jamaica Customs			9,163,953.00	
Church Teachers' College			203,786.00	
NERHA			1,108,451.80	
Coffee Industry Board			920,096.67	
NWC			1,644,883.26	
Electoral Office of Jamaica			2,106,145.93	
CANADIAN FARM-WORK PROGRAMME				25,185.61
<b>TOTAL</b>			<b>15,147,316.66</b>	<b>25,185.61</b>

**APPENDIX Fi**

<b>Nugatory Expenditure</b>	<b>2007 / 2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
Inland Revenue		7,743,000.00	
Enhancement of Basic School Project	108,305.00		
Harmonisation Ltd		74,488.00	
Rural Water Supply	49,642.00		
Moneague Teachers College		99,000.00	
DBJ		85,290.75	
Edna Manley College			913,315.34
Ministry of Justice			1,191,619.80
Ministry of Labour & Social Security			
Ministry of Labour & Social Security		306,210.00	
Jamaica Fire Brigade	2,700,000.00		
KSAC	6,496.00		
JBDC	19,745.00		
<b>TOTAL</b>	<b>2,884,188.00</b>	<b>8,307,988.75</b>	<b>2,104,935.14</b>

**APPENDIX Fii**

<b>Nugatory Expenditure</b>	<b>2007 / 2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
Harmonisation Limited		US\$55,514.00	
Ministry of Labour & Social Security			US\$ 13,000.00
<b>TOTAL</b>		<b>US\$55,514.00</b>	<b>US\$ 13,000.00</b>

**APPENDIX Gi**

Unsupported Payments/Transaction	Prior Year	2008 / 2009	2009 / 2010
Trelawny Parish Council	133,996.00		
Jamaica Fire Brigade	191,320.00	15,820,541.00	1,070,000.00
Portmore Community College		3,137,402.00	
Ministry of Finance			611,311.00
Harmonisation Limited		11,010,749.00	
Provident Fund		79,440.00	
Rural Water Supply Ltd.	361,574.00		
Local Government	283,904.00		
Portmore Municipal	197,933.00		
NSWMA	12,400,000.00		
Ports Security Corps Ltd.	137,609.00		
Road Maintenance Fund	101,383,165.00		
Companies Office of Jamaica	187,474.84		
NSWMA - WPM	6,700,000.00		
Sugar Company of Jamaica	10,000,000.00		
Sugar Industry Authority	133,600,000.00		
National Gallery of Jamaica	674,882.41		
Ministry of National Security	66,475.00		
Electoral Office of Jamaica	196,829.00		
SDC		350,000.00	
EOJ	973,989.00		
Houses of Parliament	2,790,047.00		
Transport and Works	222,417.00		
NWA	9,029,973.00		
Inland Revenue	181,746.72		
Fiscal Services Ltd	366,393.00		
JIS		531,038.00	
TASD	50,836.00		
Accountant General	4,958,032.24		
KSAC			4,635,000.00
NERHA			6,542,508.00
St. Joseph's Hospital			8,897,000.00
Edna Manley College			1,395,487.79
Min. of Labour & Social Security			2,700,000.00
Dept. of Correctional Services	5,080,902.00		8,474,378.00
<b>TOTAL</b>	<b>290,169,498.21</b>	<b>30,929,170.00</b>	<b>34,325,684.79</b>

**APPENDIX Gii**

Unsupported Payments/Transaction	Prior Year	2008 / 2009	2009 / 2010
Ministry of Finance			US\$740.47
<b>Total</b>			<b>US\$740.47</b>



**APPENDIX H**

Unrecorded Assets	2007 / 2008	2008 / 2009	2009 / 2010
SDC	2,937,383.00		
PATH - Social Protection Project			81,848.50
Trelawny PC	1,201,890.00		
Ministry of Labour & Social Security		4,700,000.00	
Ministry of Finance		9,300,000.00	1,361,336.84
Accountant General			549,990.00
SHRA		26,797,913.00	
PSMP	6,600,000.00		
Correctional Services	119,025.00		
Local Government Department	1,135,567.00		
Jamaica Fire Brigade		1,084,985.00	
Ministry of Foreign Affairs and Foreign Trade		10,800,000.00	1,354,412.00
Ministry of Health		5,161,260.00	
NRHA		3,555,018.00	
Bellevue Hospital		6,738,925.00	
Child Development Agency		4,447,470.00	1,091,270.74
National Works Agency		11,000,000.00	
NEPA	3,670,000.00		15,663,983.14
NYS	2,360,000.00		
Edna Manley College			7,269,021.00
<b>TOTAL</b>	<b>18,023,865.00</b>	<b>83,585,571.00</b>	<b>27,371,862.22</b>

**APPENDIX i**

Reported Losses, Fraud, Larceny etc.	2007/ 2008	2008 / 2009	2009 / 2010
Ministry of Tourism			58,920.00
PATH - Social Protection Project			42,920.00
NSWMA			80,850.00
Fiscal Services Ltd			368,000.00
Ministry of Finance		21,400,000.00	
Accountant General		14,000,000.00	
MOH & Regional Authority	20,702,363.00	1,445,511.00	
Bellevue Hospital		140,000.00	
Post & Telecommunications Department			30,500,000.00
Ministry of Education		9,173,627.00	
Lift Up Jamaica	61,686.00		
Ministry of Justice	435,000.00		
Electoral Office of Jamaica	45,500,000.00		
<b>TOTAL</b>	<b>66,699,049.00</b>	<b>46,159,138.00</b>	<b>31,050,690.00</b>

**APPENDIX Ji**

<b>Rental Arrears</b>	<b>Prior Year</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
St. Catherine Parish Council	542,696.00		
UDC	108,780,000.00	115,846,935.00	
Portmore Com. College		1,000,000.00	
NWC			34,000,000.00
St Ann Parish Council		3,860,300.00	5,200,000.00
St James Parish Council	430,500.00		
Trelawny PC	1,364,795.00		
Ministry of Mining	37,781,374.00		
Hanover Parish Council	878,750.00	645,200.00	
Manchester Parish Council	824,971.00	519,992.61	
Westmoreland Parish Council	1,700,000.00		
Portland Parish Council	1,168,489.00		
Clarendon Parish Council	1,895,964.00	2,752,274.00	3,336,586.00
St. Elizabeth Parish Council	2,471,273.00	2,738,128.00	
Port Authority Management Services		127,400,000.00	
PCJ	37,781,374.00		
<b>TOTAL</b>	<b>195,620,186.00</b>	<b>254,762,829.61</b>	<b>42,536,586.00</b>

**APPENDIX Jii**

<b>Contractors Levy</b>	<b>Prior Year</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
CDA			204,130.30
Clarendon Parish Council	779,439.35		
SDC		186,158.00	240,194.00
Trelawny PC	2,350,000.00		
St. Elizabeth Parish Council	2,286,547.00		
St. James Parish Council	206,905.00	11,446,840.00	740,278.60
Minnistry of Health		75,178.00	
Clarendon Parish Council	38,513.72		
Flood Damage - Transport & Works	343,109.00		
NYS	4,446.80		
Fiscal Services Ltd	158,845.00		
National Library of Jamaica	19,090.51		
JSIF	28,599.54		
Arterial Roads Programme	1,477,463.00		
<b>TOTAL</b>	<b>7,692,958.92</b>	<b>11,708,176.00</b>	<b>1,184,602.90</b>

**APPENDIX Jiii**

<b>Overpayments</b>			
<b>Ministries/Departments &amp; Agencies</b>	<b>2007/ 2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
Ministry of Finance and the Public Service	169,123.00	93,196.27	544,631.98
Inland Revenue		223,140.00	24,243.00
Jamaica Customs			320,157.00
Police Public Complaints Authority			170,000.00
Ministry of Education- Teachers Salaries	3,800,000.00	6,830,847.31	3,239,198.00
Ministry of Education- Admin salary		70,116.11	
Ministry of Education (personal deductions)	4,700,000.00		
National Library of Jamaica			63,310.69
Medical Council of Jamaica	80,223.12		270,169.00
Aeronautical Telecommunications Ltd.			123,462.50
Cabinet Office	700,087.00		
Bellevue Hospital		16,366.00	
Lift-up Jamaica	37,069.73		
Police Department	562,045.00		
PCJ	3,476.00		
Milk River Bath Hotel	21,133.56		85,477.00
Sugar Company of Jamaica	138,811.00		
Jamaica National Heritage Trust	16,119.99		
E-Learning Company	3,476.00		18,197.67
Ministry of Mining & Energy	3,476.00		34,561.20
Office of The Services Commission	39,794.00		
Department of Correctional Services	264,835.00	414,177.00	860,987.00
Electoral Office of Jamaica	151,811.00		480,250.03
National Youth Service	35,000.00		138,351.21
Portmore Com. College		724,335.71	
Nutrition Products Ltd		82,006.00	
Moneague College		244,300.34	
MOH- Head Office		1,550,490.00	
UTECH	478,500.00		
Local Government	17,866.00	358,836.00	
Jamaica Fire Brigade	27,210.11	1,146,821.00	1,060,827.00
NSWMA		42,935,775.00	191,207.35
FSL	206,503.00	157,142.86	
Administrator General's Department		27,039.00	
CPTC	1,226,142.65	1,045,546.00	
JIPO		236,134.19	
Registrar General's Department	278,427.00	153,636.08	421,497.84
National Gallery	139,038.71	71,291.00	
JCDC	172,025.00	191,291.00	106,540.73
NEPA		56,238.00	236,828.00
Bath Fountain		38,141.00	

**APPENDIX Jiii**

<b>Overpayments</b>			
<b>Ministries/Departments &amp; Agencies</b>	<b>2007/ 2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
Ministry of Foreign Affairs	75,606.00	26,333.00	
Ministry of Agriculture		124,416.20	
Forestry		6,722.61	
Houses of Parliament		15,248.00	
Office of the Contractor General		337,935.00	
SDC		373,772.85	
Council of Community Colleges of Jamaica	58,989.02		
Jamaica Library Services	10,160.00		
TASD	57,479.00		
Development Bank of Jamaica		1,029,534.00	
Statistical Insitute of Jamaica		57,520.51	
Office of The Disaster Preparedness and Emergency Management		33,939.34	
National Land Agency		113,374.57	
Companies Office of Jamaica		5,077,517.00	
TAAD	113,000.00	1,105,983.00	107,058.54
Accountant General	25,426.95	1,177,261.00	
Spectrum Management Authority		2,783,189.15	
Micro Investment Development Agency		371,240.00	
BATCO		1,630,363.00	
Jamaica Information Service			33,861.00
Jamaica Social Investment Fund			157,780.00
Office of the Prime Minister	700,087.00		117,208.00
Public Defender	78,274.82	38,350.00	
Kingston and St. Andrew Corporation (markets)		74,000.00	
Kingston and St. Andrew Corporation	344,074.00	597,720.00	
Ministry of Labour & Social Security			52,450.65
Manchester Parish Council	366,087.00		
St Elizabeth Parish Council	264,193.00		
Jamaica 4H Clubs	8,290.98	1,965,976.00	
National Council on Drug Abuse	47,109.00		
Bureau of Standards, Jamaica			7,152.50
Coffee Industry Board			4,208,881.65
Institute of Jamaica			242,468.90
NERHA			11,242.85
SERHA			143,302.00
SRHA			169,909.98
St. Joseph's Hospital			70,861.00
Edna Manley College			871,260.00
Child Development Agency			98,417.34
Subtotal	<b>15,420,969.64</b>	<b>73,607,261.10</b>	<b>14,681,751.61</b>

**APPENDIX Jv**

Recievables	2007/2008 JA\$	2007/2008 US\$	2008 / 2009 JA\$	2009 / 2010 JA\$
NIS			364,500,000.00	2,206,581,278.56
JDF			9,600,000.00	
Ministry of Justice			45,900,000.00	45,292,460.00
Government Chemist			117,850.00	
SRHA			30,686,036.00	12,864,379.81
Jamaica Trade & Investment	507,551.00			
Ministry of Education	248,100,000.00			
TAD	1,590,585.00			
MIND	20,700,000.00			
SDC			467,917.00	
Ministry of Finance	169,123.00			
Rural Water Supply	361,574.00		564,000.00	
UDC	9,190,000.00		26,488.00	
Ministry of Justice	17,190,000.00			
NSWMA	20,000,000.00		5,127,564.00	7,400,000.00
BATCO			1,530,000,000.00	
NWA	585,821,985.00		654,463,991.00	
JDF	26,770,000.00			
Manchester Parish Council	117,400.00			
Jamaica Mortgage Bank			2,700,000,000.000	
Port Authority			1,274,000.00	
Petro Caribe Fund		US\$1,777,373.00		
Ministry of Tourism	196,042.00			
Development Bank of Jamaica			1,600,000.00	
JIS			32,130,000.00	
TPDco	196,042.00			
RGD	3,578,447.00			
Fiscal	11,029,400.78			
MOA	632,059.00			
NIS	237,116.00			
Ministry of Foreign Affairs	1,360,000.00			
Health Corporation	290,900,000.00			
Factories Corporation			29,000,000.00	
Accountant General	1,400,000.00			
Child Development Agency			10,100,000.00	16,610,680.01
Nutrition Products Limited			14,922,883.00	
PCJ	98,335.00			
National Water Commission				7,657,834,357.23
St. Ann Parish Council				804,000.00
Clarendon Parish Council				705,050.00
Trelawny Parish Council				2,823,510.00
St. Joseph's Hospital				47,800,000.00
Edna Manley College				43,878,748.00
<b>TOTAL</b>	<b>1,240,145,659.78</b>	<b>US\$1,777,373.00</b>	<b>5,430,480,729.00</b>	<b>10,042,594,463.61</b>

**APPENDIX J iv**

<b>Unremitted Statutory Deductions</b>	<b>Prior Year</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
St. Joseph's Hospital			17,090,000.00
RGD			20,696,127.21
Port Security Corp - PAYE/Ed.	82,300,000.00		
NHT	6,100,000.00		
NERHA	34,048,561.00		
SERHA	113,475,411.00		
St. James Parish Council	7,179,505.29		
Portmore Municipal Council	4,256,267.31		
St. Thomas Parish Council	16,138,259.00		
Trustee in Bankruptcy	259,375.00		
Rural Water Supply	13,838,796.00		
Factories Corporation of Jamaica		3,440,000.00	
KSAC - Market		32,926,986.00	
National Water Commission			399,683,417.68
NSWMA	229,600,000.00		
<b>TOTAL</b>	<b>507,196,174.60</b>	<b>36,366,986.00</b>	<b>437,469,544.89</b>

**APPENDIX K**

<b>PAYABLES</b>	<b>2007/2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
NSWMA			5,908,276.41
St. Joseph's Hospital			15,660,000.00
WRHA		185,684,243.00	
Bellevue Hospital		32,708,450.00	
NERHA		111,374,805.00	180,074,414.90
JDF	150,000,000.00	181,800,000.00	
NWA	363,073,714.00	852,621,988.17	
NIS			
Nat. Irrigation Commission		38,592,813.00	
SRHA		79,740,650.00	133,113,756.73
SERHA		300,871,503.00	
Road Maintenance Fund	101,383,165.00	108,060,097.87	
Min. of Transport and Works			
National Water Commission			704,671,213.42
JIS		15,573,411.00	
Child Development Agency		69,207,940.00	140,698,196.71
Inland Revenue			
Ministry of Education	11,000,000.00		
<b>TOTAL</b>	<b>625,456,879.00</b>	<b>1,976,235,901.04</b>	<b>1,180,125,858.17</b>

## APPENDIX L

Uncleared Advances	2007/ 2008	2008/ 2009	2009/ 2010
Min. of Finance-Recurrent		560,505,663.70	
Ministry of Finance-Cap A		152,726,810.70	
Accountant General	1,004,628.36	592,120.17	414,757.15
Inland Revenue Dept.	27,429,708.00	61,878,625.84	10,900,000.00
Jamaica Customs Dept.		12,815,300.27	122,130.00
Jamaica Fire Brigade	2,015,531.00	437,540.00	
Lift Up Jamaica	39,018,498.00		
Ministry of Foreign Affairs	227,000,000.00		
Electoral Office of Jamaica	645,346.00		245,000.00
Local Government	3,750,000.00		
Jamaica Customs			
JNHT			419,829
Ministry of Labour	45,811.00		
Ministry of Health			9,560,000.00
<b>TOTAL</b>	<b>300,909,522.36</b>	<b>788,956,060.68</b>	<b>21,661,716.15</b>

## APPENDIX Li

Uncleared Advances	2007/ 2008	2008/ 2009	2009/ 2010
JHC London		£74,099	
<b>TOTAL</b>		<b>£74,099</b>	

## APPENDIX Lii

Uncleared Advances	2007/ 2008	2008/ 2009	2009/ 2010
JHC Ottawa (as at June 2008)		CN\$19,731	
<b>TOTAL</b>		<b>CN\$19,731</b>	

## APPENDIX Liii

Uncleared Advances	2007/ 2008	2008/ 2009	2009/ 2010 - US\$
Jamaican Embassy - Washington			7,802.00
Ja. Consulate General – New York			29,160.41
PRUN		US\$11,176	
<b>TOTAL</b>		<b>US\$11,176</b>	<b>36,962.41</b>

## APPENDIX Liv

Uncleared Advances	2007/ 2008	2008/ 2009	2009/ 2010
Jamaica High Commission Trinidad and Tobago			TT\$15,520.14
<b>TOTAL</b>			<b>TT\$15,520.14</b>

**APPENDIX Mi**

Procurement Breaches	2007/ 2008	2008 / 2009	2009 / 2010
Min. of Labour & Social Security		13,744,000.00	
Aeronautical Telecommunications			17,777,103.75
Ministry of National Security- JDF		6,900,000.00	
Portmore Community College	38,340,000.00	3,989,190.00	
Ministry of Foreign Affairs		10,538,841.00	
JCDC		3,419,863.00	
Fiscal	50,916,632.40		
NYS	106,000,000.00		
SDC		19,096,246.18	13,400,000.00
St. James Parish Council	147,377.00		
Ministry of Education	4,487,910.00		
Moneague College		175,324,800.00	
Local Government Dept		518,857.00	
Development Bank of Jamaica		2,600,000.00	
Jamaica Customs	1,700,000.00		8,900,000.00
Inland Revenue Department			160,400,000.00
SIA	12,100,000.00		4,482,804.00
Clarendon Parish Council	6,282,419.00		
Rural Water Supply	827,865.00		
SDF	190,173.00		
UDC	1,987,940.00		
Companies Office of Jmaica	1,397,721.00		
Correctional Services	15,106,806.00		
Exced Community College	9,700,000.00		
MIND	1,791,939.00	3,786,475.00	7,800,000.00
NSWMA	1,061,296.00		
UTECH	17,500,000.00		
Electoral Office	274,455,128.00		51,468,497.24
Ministry of Health- HQ		960,158.00	
Bellevue Hospital		52,301,578.00	
NERHA		38,949,857.00	6,848,567.40
SERHA		1,933,879.00	21,000,000.00
WRHA		17,700,413.00	
Child Development Agency		13,300,000.00	1,292,393.39
Office of the Prime Minister	3,583,392.00		
Portmore Municipal Council	1,134,268.00		
Trelawny Parish Council	726,610.00		
Ministry of Transport & Works	117,369,839.00		
Flood Damage	45,052,059.00		
Jamaica 4H Clubs	2,195,868.00		
JIS		444,025.00	
PCJ	4,761,124.00		
RGD	5,512,630.00		
Jamaica Library Services	2,250,429.97		
CPTC	7,203,374.00		



**APPENDIX Mi**

<b>Procurement Breaches</b>	<b>2007/ 2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>
Jamaica National Heritage Trust	2,040,760.00		
Ministry of Finance			9,484,672.00
Coffee Industry Board			23,290,000.00
Edna Manley College			37,293,657.84
Northern Coastal Highway Project			4,156,863.66
Jamaica Fire Brigade (JFB)			24,123,000.00
Accountant General's Department			3,983,882.00
Church Teachers' College			3,119,623.00
<b>TOTAL</b>	<b>735,823,560.37</b>	<b>365,508,182.18</b>	<b>398,821,064.28</b>

**APPENDIX Mii**

<b>Procurement Breaches</b>	<b>Prior Year (US\$)</b>	<b>2008 / 2009 (US\$)</b>	<b>2009 / 2010 (US\$)</b>
Fiscal Services	2,214,480.00		
UTECH	49,375.00		
Ministry of Foreign Affairs & Foreign Trade - Jamaica Consulate General - New York			20,070.70
Transport and Works			103,130.00
<b>TOTAL</b>	<b>2,263,855.00</b>		<b>123,200.70</b>

## APPENDIX N

Interest & Overdraft Charges	2007/ 2008	2008/ 2009	2009/ 2010
Northern Coastal Highway Project			13,962,968.20
MLSS - OVERDRAFT CHARGES			1,600,000.00
HANOVER PARISH COUNCIL - OVERDRAFT CHARGES			30,400.00
COFFEE INDUSTRY BOARD - BANK OVERDRAFT			13,594.13
KSAC-OVERDRAFT CHARGES			982,763.00
<b>TOTAL</b>			<b>16,589,725.33</b>

## APPENDIX O

Advance Card Breaches	2007/ 2008	2008/ 2009	2009/ 2010
NSWMA			228,727.97
MOFPS			59,522.00
Department of Correctional Services			228,978.00
MIN. OF WATER & HOUSING			77,508.62
EOJ			5,238,269.01
NORTH EASTERN PARKS & MARKETS			60,500.00
<b>TOTAL</b>			<b>5,893,505.60</b>

APPENDIX P								
SURCHARGE MATTERS								
Entity	Date of Report	Particulars	Value of Loss/Improper Payment \$	Total Loss/Year	Value of Surcharge	Surcharge Imposed/Year	Amount Recovered as at October, 2010	Remarks
Period 2007/2008			\$	\$	\$	\$	\$	
Registrar General's Department	12/10/2007	Improper salary payment	3,968,322.91		846,994.72		637,200.00	Deduction are on-going
Companies Office of Jamaica	01/10/2007	Improper payment & Salary overpayment	980,052.62		150,000.00		137,500.00	Initial surcharge was \$756,230.00; reduced to \$150,000 after appeal
National Environment & Planning Agency	27/03/2008	Nugatory expenditure	700,000.00					Withdrawn - 3 years had elapsed.
Ministry of Agriculture	04/10/2007	Nugatory expenditure	595,697.54		180,225.50		180,225.50	
				6,244,073.07		1,177,220.22		
2008/2009								
Ministry of Education	06/03/2008	Salary overpayments	1,305,861.83		139,779.94		17,475.00	21 officers were issued with surcharge letters to make responses. However, surcharge only enforced against one individual. Deductions are on-going
	19/06/2008	Improper payments	261,796.50					No response from the Financial Secretary
				1,567,658.33		139,779.94		
2009/2010								
Clarendon Parish Council	15/07/2010	Improper payments	962,195.38					Withdrawn - 3 years had elapsed.
KSAC	26/4/2010	Overdraft charges	642,708.82					Additional information requested
	15/7/2010	Salary overpayments and unrecovered loan balances	816,472.00					Additional information requested
Office of the National Reconstruction	15/4/2010	Damage to property	584,000.00					No response from the Financial Secretary
Department of Correctional Services	11/08/2010	Overpayments of salary & allowance	201,767.10					No response seen from the Financial Secretary
Accountant General's Department	23/02/2010	Overpayment of salary	1,263,846.05					Withdrawn - Financial Secretary cited missinterpretation of guidelines by officers concern.
Ministry of Education	18/03/2010	Overpayment of salary	313,456.82		219,419.47		27,427.47	Deduction on-going
Inland Revenue Department	23/02/2010	Bank charges	453,500.00	5,237,946.17		219,419.47		No response from the Financial Secretary
TOTAL				J\$ 13,049,677.57		J\$ 1,536,419.63	J\$ 999,827.97	