

**AUDITOR GENERAL'S DEPARTMENT**

**ACTIVITY BASED AUDIT REPORT**

**CARIBBEAN MARITIME INSTITUTE (CMI)**

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## Summary

The Caribbean Maritime Institute (CMI) is a tertiary institution that specializes in maritime education and training for professional seafarers, allied industry personnel and the wider industry covering land, sea and air. CMI was originally established as the Jamaica Maritime Institute (JMI), a joint project between the Jamaican and Norwegian Governments in September 1980. The Institute became a statutory body under the laws of Jamaica on January 4, 1993, and was renamed the Caribbean Maritime Institute in 2001.

CMI's main operation is carried out through three schools. The main facility, the School of Marine and Profession Studies currently provides training in seafarers, which is delivered in accordance with the International Marine Organization Standards. The School of Academic Studies provides training in allied courses supporting the shipping industry, while the School of Advance Skills caters to industry needs.

The scope of the audit covered the period April 2010 to March 2015. The audit aimed to determine whether the institute had adequate systems, policies and procedures in place to effectively manage its core function in accordance with its mandate.

The key findings are outlined below.

## Key Findings

### Financial and Operational Performance

- 1. CMI did not conduct a resource audit to ascertain the impact of its planned strategy to increase enrolment.** This impacted CMI's ability to engage qualified lecturers to deliver the curriculum and resulted in CMI being unable to achieve the planned reduction in its dependence on government subvention. We noted that between the periods 2010-11 to 2014-15, CMI enrolment increased by 105 per cent, moving from 1,090 to 2,236 students. However, CMI did not conduct any resource audit to inform management of the financial, human and physical resources capacity of the Institution to respond to the increase student enrolment. CMI indicated that by March 2015, 90 per cent of its total revenue should be earned from tuition fees, while the remaining 10 per cent would be obtained from Government subvention. However, by March 2015, CMI still did not achieve its target as tuition fees comprised 77 per cent of total revenue, and Government subvention the remaining 23 per cent. CMI contends that the strategy is deliberate to seek resources after enrolment. However, this may result in CMI over extending its resources, thereby causing reputational risk and breach of the International Marine Organization (IMO) standards of operation.

Despite the anticipated increase in enrolment, CMI did not seek Ministry of Finance's approval for any consequent increase in its staffing level. As a result, CMI employed 253 part time adjunct lecturers at a cost of \$135.6 million, without approval from the Ministry of Finance. Further, CMI employed six assistant lecturers who did not possess the requisite three year post qualification teaching experience or formal training, contrary to CMI's policy. CMI's decision to employ

inexperienced assistant lecturers not only breached the international marine guidelines<sup>1</sup>, but could raise questions as to the standard and quality of the Institute's programme delivery. Review of CMI's annual student surveys highlighted concerns regarding perceived weaknesses in the delivery of training offered by lecturers.

- 2. Section 4(1)(a) of the Caribbean Maritime Institute Act states that one of the functions of the Institute shall be to provide training for persons employed as officers and ratings in the shipping industry.** However, we found that enrolment in the School of Marine and Professional Studies has declined by approximately one-third, moving from 215 in 2010-11 to 138 students in 2014-15. In light of this decline, CMI's 2012 to 2015 Corporate and Operational Plans did not indicate any deliberate strategies to address the decrease in the Marine and Professional Studies.
- 3. One in three CMI cadets did not gain seafarer experience.** Of the 438 enrolled cadets during the period 2007-08 to 2011-12, 247 cadets completed seafarer experiences; and 152 cadets (or 38 per cent of cohort) were not exposed to seafarer training in contravention of the IMO policy and CMI policy; while the remaining 39 did not complete the studies. Consequently, the 152 students have not received the relevant certification to be gainfully employed as seafarers and might have difficulty obtaining employment on ships. We also noted that the percentage of cadets who graduated declined from a high of 46 per cent in 2007-08 to a low of 20 per cent in 2011-12. Over the period, an average of 25 per cent of cadets enrolled graduated, compared to 86 per cent projected in CMI's 2012-2015 Corporate Plan.

### RECOMMENDATION

**CMI should undertake a thorough assessment of the resources required to achieve the targets outlined in its corporate plan and strengthen its control mechanism to ensure compliance with stipulated guidelines.**

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<sup>1</sup> The guidelines states; *"All instructors, supervisors and assessors need to be qualified and experienced in the particular types and levels of training and assessment they give."*

# Part One

## Introduction

### Background

**1.1** The Caribbean Maritime Institute (CMI) was established in 1980 by the Government of Jamaica and the Kingdom of Norway to train professional seafarers; primarily Jamaican, to operate what was then the Merchant of Marine Fleet. The CMI was converted to an Executive Agency under the Ministry of Transport, Works and Housing in April 1, 2001 and is the only internationally recognized maritime training and educational institution in Jamaica and the Caribbean, delivering educational training across three faculties. These are: The School of Marine and Professional Studies, School of Academics Studies, and the School of Advance Skills, which caters to industry needs by providing short courses.

**1.2** CMI core programmes are accredited by the International Maritime Organization (IMO) and the University Council of Jamaica (UCJ). In addition, CMI continues to maintain its ISO 9001:2008 certification from Lloyd Registers on Quality Assurance (LQRA), for its Quality Management System (QMS).

**1.3** CMI operates in a global space that caters for both the core marine and allied industry courses aimed at producing internationally competitive seafarers. CMI relevance is dependent on its ability to maintain its strength as an internationally recognized institute through the provision of maritime education and ensuring that pool of competent expertise are developed to ally to industry needs. CMI continues to forge partnerships with international shipping companies to provide training and seek employment for Cadets, student and officers.

### Vision Statement

**1.4** The vision of CMI *“is to be the premier institution of choice for maritime education, training and applied research within the Caribbean and beyond.”*

### Mission Statement

**1.5** The mission of the CMI *“is to provide solutions through the application of knowledge, talents, and skills to continue to redefine the boundaries of tertiary education and professional maritime training.”*

## **Objectives**

**1.6** The objectives of the CMI are to:

1. Provide quality maritime education and related technical and vocational training,
2. Produce graduates of a high calibre in keeping with international standards,
3. Provide professional maritime and technical consultancy services,
4. Serve as the regional maritime information data centre,
5. Foster and promote professionalism and the development of staff, and
6. Foster and enhance maritime environmental awareness, response and planning, in keeping with international conventions.

## **Audit Scope and Methodology**

**1.7** We conducted an audit of the CMI to determine whether the institute was delivering its core function, the provision of maritime related education, in accordance with its mandate. We planned and conducted the audit in accordance with the International Standards for Supreme Audit Institutions (INTOSAI) standards of practice and employed key audit methodology such as inquiry of management and staff, analysis of data provided and examination of relevant supporting documentation for the period FY 2010/11 to FY 2014/15.

# Part Two

## Operations

**2.1** CMI deliver educational training across three faculties. These are: The School of Marine and Professional Studies, School of Academics Studies, and the School of Advance Skills.

**2.2** The Marine and Professional School focuses on the core seafarers STCW 95 IMO courses leading up to the level of captain, chief engineer and chief mate. The Academic School manages the Associate Degrees, Diplomas, Bachelors and Masters Degrees and spearheads general research based activities. The School of Advanced Skills concentrates on hands on competency based training to meet the needs of the growing shipping and logistics sectors including, alternative energy, engineering projects, business development, entrepreneurship and the Career Advancement Programme (CAP).

### **CMI did not conduct resource audit to ascertain impact of planned increased enrolment**

**2.3** Over the financial years 2010-11 to 2014-15, CMI enrolment increased by 105 per cent, moving from 1,090 to 2,236 students. This surpassed CMI's target for enrolment of 1,424 (**Table 1**). However, CMI did not conduct a resource audit to inform management and other stakeholders of available resources and how to efficiently employ the resources for optimum maximization. Failure to conduct a resource audit does not allow for effective planning and can expose the institute to risk or unplanned expenditure.

**2.4** The absence of the resource audit also resulted in difficulties meeting the stipulated classroom space despite CMI renting three additional classroom spaces at three locations at a cost of \$5.54 million, to accommodate the excess intake, over the three year period (April 2012 to March 2015). Further, CMI did not provide the status of the current capacity of students the institution can accommodate. IMO guidelines<sup>2</sup> indicate that class sizes should be limited to no more than 24 students in order to allow the instructor to give adequate attention to individual trainees. However, our audit revealed that the current class size ranged from a low of 38 to a high of 48 students. .

**Table 1 CMI Student Enrollment (2010-11 to 2014-15)**

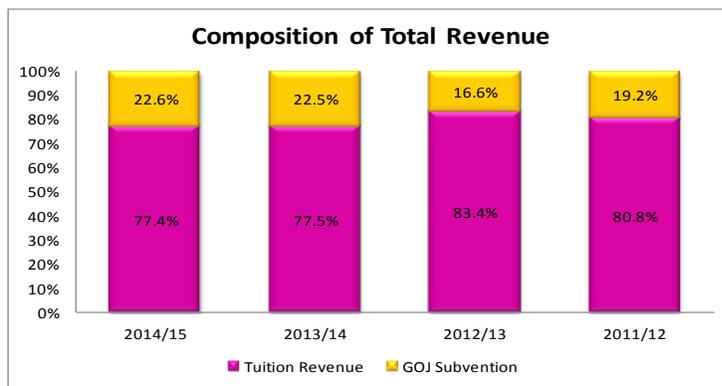
SCHOOL	2014-15	2013-14	2012-13	2011-12	2010 -11	Change	Change (%)
Marine and Professional Studies	138	101	224	198	215	(77)	-36%
Academic Studies	1,741	1,244	1,043	871	725	1,016	140%
Advance Skills	357	584	339	240	150	207	138%
<b>Total</b>	<b>2,236</b>	<b>1,929</b>	<b>1,606</b>	<b>1,309</b>	<b>1,090</b>	<b>1,146</b>	<b>105%</b>

Source: AuGD compilation from CMI records

<sup>2</sup> Model Course 7.03 (the Officer in Charge of a Navigational Watch 1999 Edition)

**2.5** CMI did not achieve its targeted level of 10 per cent support from government subvention between financial years 2010/11 and 2014/15. CMI, in its Corporate Plans (2012-2015) indicated that by March 2015, 90 per cent of its total revenue should be earned from tuition fees, while the remaining 10 per cent would be obtained from government subvention. However, by March 2015, CMI still did not achieve the projected target as tuition fees comprised 77 per cent of total revenue and government subvention, the remaining 23 per cent (**Chart 1**). This occurred despite the significant improvement in tuition revenue due to increased student enrolment. Tuition fees increased by 47 per cent to \$718.6 million in FY 2014/15, from \$494.4 million in FY2011/12. Government financial support increased by 78 per cent to \$209.3 million in 2014-15 from \$117.6 million in FY2011/12. Non-collection of tuition fees may not only affect the ability of the Institute to discharge its financial obligations as they become due, but result in increased reliance on Government subvention to cover any shortfall.

**Chart 1 - Analysis of CMI's Total Revenue**



Source: AuGD compilation from CMI records

**CMI did not have an approved policy to manage the receivables portfolio**

**2.6** We found that CMI did not have in place a documented receivables policy in place to properly manage the Institute's outstanding tuition fees. CMI did not provide any evidence that appropriate steps were taken to recover outstanding fees from delinquent students. We expect that CMI would issue demand notices, including reminders to delinquent students requesting payment of outstanding balances. However, CMI indicated that the current collection methods are limited to contact students via text messages and telephone calls.

**2.7** In November 2015, CMI indicated that a draft policy will be submitted to the Finance sub-committee of the Board for ratification before March 2016. However, CMI did not present the draft policy for review, despite requests.

**Forty-one per cent of tuition fees deemed uncollectible**

**2.8** CMI's receivable management system proved ineffective in collecting outstanding tuition fees. As at March 31, 2015, 3,102 students owed \$326.4 million in tuition fees (**Table 2**); with \$151.9 million outstanding in excess of one year. We also noted that CMI did not employ a robust system to recover outstanding tuition fees. CMI records indicated that 201 students either completed or graduated with

outstanding tuition fees amounting to \$22.46 million. CMI's failure to collect these amounts could impact negatively its operating cash flow.

**Table 2 – Analysis of Outstanding Tuition Fees as at March 31, 2015**

Status	Number of Students	Outstanding Tuition Fees (\$)
Completed	54	3,109,658.73
Completed and Awaiting graduation	6	231,197.63
Currently enrolled	1,542	190,797,760.12
Deceased	6	670,590.81
Did not Complete	507	43,179,281.06
Did not start	2	134,425.00
Graduated	151	19,122,474.46
Unidentified	834	69,169,588.80
<b>Grand Total</b>	<b>3,102</b>	<b>326,414,976.61</b>

Source: AuGD compilation from CMI records

**2.9** A disaggregation of the outstanding tuition fees revealed that there were individual pursuing post graduate studies that had not paid their tuition fees amounting to \$23.14 million, of which \$19.02 million has been owed for more than five years. CMI was unable to indicate the status of 834 students with outstanding tuition fees totaling \$69.2 million (or 21 per cent).

### **CMI's strategy does not address the steady decline in core marine education**

**2.10** Section 4(1)(a) of the Caribbean Maritime Institute Act states that one of the functions of the Institute shall be to provide training for persons employed as officers and ratings in the shipping industry. Of the three faculties, the School of Marine and Professional Studies is tasked with training seafarers, IMO certified courses that will lead to professions up to the level of captain, chief engineer and chief mate. However, we found that enrolment in this core faculty declined by approximately one-third, to 138 students in FY2014/15 from 215 in FY2010/11 (**Table 1**). Further, review of CMI's Corporate and Operational Plans covering the period FY2010/11 to FY2014/15, revealed that no strategies were developed by CMI to address the fall in enrolment for the Marine and Professional Studies. While CMI's Corporate and Operational plans articulated a targeted growth in the overall student enrolment to 1,424; no breakout for the individual faculties was provided, despite our request.

### **CMI did not have an adequate complement of lecturers for its core Marine programmes**

**2.11** CMI did not have in place an adequate complement of qualified marine and nautical lecturers to deliver core marine education. We found that the Staff Establishment allows for the employment of 30 staff, which includes 11 senior lecturers, 8 lecturers and 6 assistant lecturers in the School of Marine and Professional Studies. At the time of our audit, only 20 of the 30 positions were engaged for the Schools of Marine and Professional Studies; of which 11 of the 20 positions were filled by assistant lecturers. We found that contrary to CMI's policy, 6 of the 11 assistant lecturers were engaged without the requisite

three year post qualification teaching experience, preferably in a maritime institution. This was compounded by the fact that the affected 6 assistant lecturers did not possess any formal training or diploma in Teaching. CMI could not indicate whether any of the affected assistant lecturers were currently pursuing diploma in teaching. The CMI graduation register revealed that 5 of the 6 assistant lecturers graduated from in 2013, while the other assistant lecturer graduated in 2012. CMI indicated that it is faced with challenges in recruiting staff with experience in marine training and lack of adequate funds to attract and retain highly trained personnel in specialized roles.

**2.12** In addition, a review of CMI’s annual customer/student surveys showed students concern regarding perceived weaknesses in the delivery of training offered by their lecturers (**Table 3**).

**Table 3 Student Survey - examples of student’s comments**

Period	Customer/Students Survey Comments
<b>2014-15</b>	<ol style="list-style-type: none"> <li>1. “Lecturers should do a course to enhance delivery skills.”</li> <li>2. “Better lecturers with more qualification are needed not officer cadets.”</li> </ol>
<b>2013-14</b>	<ol style="list-style-type: none"> <li>1. “We have lecturer assistance but the lecturer is absent”.</li> <li>2. “We need more effective lecturers”.</li> <li>3. “We need more professional lecturers instead of lecturers trained to lecture who know just the information and have problem to communicate what they know”.</li> </ol>
<b>2012-13</b>	<ol style="list-style-type: none"> <li>1. “The programme is lacking in experienced lectures.</li> <li>2. Lecturers needs more supervision and to assess more regular”</li> </ol>

**Source:** AuGD compilation from CMI survey records

### **CMI engaged 253 adjunct lecturers without the required MOF approval**

**2.13** CMI employs adjunct faculty which includes part time adjunct lecturers to deliver various courses. Over the three year period (2011-12 to 2014-15), CMI engaged 253 part time adjunct lecturers at a cost of \$135.6 million, without the relevant approval from the Ministry of Finance and Planning (MOFP) (**Table 4**). CMI entered in contracts, lasting from four months to one year, with adjunct lecturers at a rate ranging from \$2,000 to \$5,000 per hour. The lecture fee rates were approved by the Board, but the requisite approval from the MOFP was not presented for the engagement of the positions and the determination of the lecture fees.

**Table 4 - Part time Adjunct Lecturers fee claims**

Period	Number of Adjunct Lecturer	Adjunct Lecturer fee claims (\$)
2014/15	N/P <sup>3</sup>	49,467,130.72
2013/14	N/P	52,560,594.47
2012/13	N/P	33,631,697.50
<b>TOTAL</b>	<b>253<sup>4</sup></b>	<b>135,659,422.69</b>

Source: Information provided by CMI

**2.14** We also noted that CMI overpaid two employees salary totaling \$471,500 (**Table 5**) during the period 2012 and 2015, due to the incorrect computation of hourly rates. The officer’s signed employment contract, which stipulates that half the prescribed hourly rate will be paid, based on their qualification for lecturing hours. However, CMI paid the two officers the full rate ranging from \$3,000 to \$5,000 per hour, in breach of the contract agreement. To date, CMI has not taken steps to recover the overpayments.

**Table 5 - Schedule of Salary Overpaid**

Employee	Amount due (\$)	Amount Paid (\$)	Overpayment (\$)
Employee 1	124,500	249,000	124,500
Employee 2	347,000	694,000	347,000
	<b>471,500</b>	<b>943,000</b>	<b>471,500</b>

Source: AuGD compilation from CMI records

**One in three CMI’s cadets did not gain seafarer experience**

**2.15** CMI Placement Procedures states that *“Sea service is considered as part of a Seafarer training, as it allows for the practical application of the knowledge acquired in the classroom to ship-board experience. This is in keeping with International Maritime Organization standard that requires Seafarers to be trained in accordance with Standards of training, certification and Watch keeping (STWC) 1978 convention.”*

**2.16** Over the period 2007-08 to 2011-12, Of the 438 enrolled cadets, 247 cadets completed seafarer experiences and 152 cadets (or 38 per cent of cohort) were not exposed to seafarer training in contravention of the IMO policy and CMI Procedure; while the remaining 39 did not complete the studies. Consequently, the 152 students have not received the relevant certification to be gainfully employed as seafarers and would have difficulty obtaining employment on ships. We also noted that the percentage of cadets who graduated declined from a high of 46 per cent in 2007-08 to a low of 20 per

<sup>3</sup> Not provided

<sup>4</sup> CMI only provided total figure for the three years

cent in 2011-12. Over the period, an average of 25 per cent of cadets enrolled made it to graduation, compared to 86 per cent projected in CMI’s Corporate Plan 2012-2015 (**Table 6**).

**Table 6 – CMI Graduates as a percentage of total student enrollment**

Enrollment	Total	Placement	Drop-out	Not Placed	Graduated	Graduates as a percentage of enrolment
<b>2007-08</b>	63	42	17	4	29	46%
<b>2008-09</b>	94	69	11	14	14	15%
<b>2009-10</b>	111	58	10	43	21	19%
<b>2010-11</b>	74	44	-	30	27	36%
<b>2011-12</b>	96	34	1	61	20	20%
	<b>438</b>	<b>247</b>	<b>39</b>	<b>152</b>	<b>111</b>	<b>25%</b>

**2.17** CMI attributed placement issues to the lack of available berths. Despite CMI entering into partnership with five shipping companies to provide practical training to students; the agreement did not indicate how many students will be exposed to training by each shipping company.

CMI pointed to their research which indicated that currently, there is a global shortage of 15,000 marine officers. However, CMI is unable to meet the demand due to its inability to meet class size restriction recommended by IMO, lack of technical and human resources needed to deliver STCW1987 compliant maritime education and training.

# Part Three

## Corporate Governance

**3.1** Corporate Governance are principles, systems and processes which ensures that organization are direct, control, manage and in an efficient and effective manners. The GOJ Corporate Governance Framework for Public Bodies revised dated October 2012 outlined the principles that govern the operations of Public entities.

**3.2** Our audit revealed the absence of board approved policies and procedures to guide and direct the processes and operations as well as non-compliance with government regulations. CMI did not adhere to the corporate governance initiatives outlined in the PBMA Act, CMI Act and the Cabinet approved Corporate Governance and Accountability frameworks.

### **CMI Board did not develop a Charter or evaluate Board members**

**3.3** GOJ's Corporate Governance Framework for Public Bodies states that each Board must have a Board Charter which defines the roles and responsibilities of the Board including its responsibilities for corporate governance and its code of ethics. At the time of the audit, CMI had not adopted a charter. Failure by the Board to adopt a charter may impair its own understanding of the Boards role and responsibilities. CMI responded in November 2015 that a draft has been submitted to the Permanent Secretary in the Ministry of Transport, works and Housing for approval.

**3.4** The said framework in Recommendation 7 (Role of the Chairperson) states that the role of the chairperson of a public entity should include authorizing and overseeing the execution of the annual, performance evaluation of the entire Board, and individual members. However, for the period March 2012 to July 2015, no performance evaluation of the Board and its members were conducted.

### **CMI Board approved acquisition of laptops for its members**

**3.5** Contrary to Ministry of Finance policy, CMI Board approved the purchase of 13 computer tablets for Board members at a cost of \$317,500. This is in breach Ministry of Finance and the Public Service Circular No. 1 dated January 15, 2007. Section 3 (b) of the said Circular states that board members are only entitled to board fees and reimbursed of travelling expense directly related to their attendance at board meeting .

### **No Bonding for Employees in receipt of Scholarship**

**3.6** We noted that seven employees received scholarship totalling \$3.7 million for which no bonding agreements were executed. This practice breached the Government of Jamaica Bonding Policy, which stipulates that once an employee receives award training; the cost of training is regarded as a loan and the individual as a borrower. The policy further states that the minimum award that required bonding

stands at \$300,000 and the applicable period of bond would range from 2-5 years. In addition, we noted that six of the seven employees pursued post graduate studies have outstanding tuition fees amounting to \$4.37 million as at end-July 2015.

**3.7** Further, we found that CMI did not have a system in place to monitor beneficiaries to ensure compliance with the terms of the scholarships. Our review of 25 beneficiaries revealed that 12 awardees who received scholarship valued at \$3.57 million obtained Grade Point Average (GPA) that was below the required 2.5. We also noted that four of the 12 beneficiaries continued to receive scholarship benefits amounting to \$1.7 million in subsequent school years despite not achieving the required 2.5 GPA.

### **CMI did not always safeguard its assets**

**3.8** In March 2014, a student met in an accident while driving one of the entity's motor vehicles. CMI records indicated that the vehicle was insured for \$3.45 million and was assigned to a Senior Lecturer. Further, the police report revealed that while the vehicle was licensed to carry 7 passengers, it was noted that, 9 persons were in the vehicle. We noted from the dealer report to the insurance company that the vehicle has sustained major structural damages, and it will not be economical to be repaired; therefore, it was recommended that the vehicle be treated as a loss. However, up to the date of reporting CMI has not indicated whether the insurance company has accepted liability to replace the vehicle. Further, no evidence was provided that disciplinary action was taken against the officer. Contrary to Ministry of Finance motor vehicle accident procedures<sup>5</sup>, CMI did not report the accident to the Attorney General, Financial Secretary and the Auditor General.

### **Unapproved Bank overdraft**

**3.9** We found that the two bank accounts operated by CMI were overdrawn in four instances during March 2015 and incurred interest charges totalling \$24,465. There was no evidence that Ministry of Finance and Planning approval was obtained to use the overdraft facility. This implies a lack of prudent cash management which has resulted in increased un-budgeted expenditure for the Institute.

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<sup>5</sup> Ministry of Finance Circular No. 16 Motor Vehicle Accident Procedures (June 10, 2013)