REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL TRANSACTIONS AND FINANCIAL STATEMENTS OF THE GOVERNMENT OF JAMAICA FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015

AUDITOR GENERAL'S DEPARTMENT

accountability | transparency | efficiency | integrity

AUDITOR GENERAL'S DEPARTMENT
40 KNUTSFORD BOULEVARD
P.O. BOX 455
KINGSTON 10
JAMAICA

Tel. No.: 926-8309/926-5963/926-5846
Fax Number: 968-4690
Email: audgen@auditorgeneral.gov.jm

ANY REPLY OR SUBSEQUENT REFERENCE
TO THIS COMMUNICATION SHOULD BE
ADDRESSED TO THE AUDITOR GENERAL
AND **NOT TO ANY OFFICER BY NAME**
AND THE FOLLOWING REFERENCE
QUOTED:-

December 22, 2015

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 my examination of the accounts of the Island for the year ended 31st March 2015 for tabling in the House of Representatives.

Yours faithfully,

Pamela Monroe Ellis (Mrs.)
Auditor General

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ABREVIATIONS AND ACRONYMS

ACCA	Association of Certified Chartered Accountants
AuGD	Auditor General's Department
BGLC	Betting, Gaming and Lotteries Commission CAP
CDFPC	Constituency Development Fund Parliamentary Council
CDFPMU	Constituency Development Fund Management Unit
CWTC	Central Wastewater Treatment Company
CISA	Certified Information Systems Auditor
CTMS	Central Treasury Management Systems
DBJ	Development Bank of Jamaica
EAU	Economic Assessment Unit
ERP	Economic Reform Programme
EMC	Executive Management Committee
FCA	Fellow Chartered Accountant
FCCA	Fellow Chartered Certified Accountant
FAA	Financial Administration and Audit Act
FPP	Fiscal Policy Paper
FRP	Fiscal Responsibility Framework
FDI	Foreign Direct Investment
FMR	Financial Management Regulation
GOJ	Government of Jamaica
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICM	International Capital Market
IMF	International Monetary Fund
IMERS	Internal Monthly Economic Report
INTOSAI	International Organisation of Supreme Audit Institutions
JIS	Jamaica Information Service
JUTC	Jamaica Urban Transit Company
KCT	Kingston Container Terminal
MIS	Management Information System
MIND	Management Institute for National Development
MOFP	Ministry of Finance and Planning
MOFAFT	Ministry of Foreign Affairs and Foreign Trade
MLSS	Ministry of Labour and Social Security
NCC	National Contracts Commission
NHT	National Housing Trust
NIF	National Insurance Fund
NROCC	National Road Operating & Constructing Company
NWC	National Water Commission
NCD	Non Communicable Disease
PAJ	Port Authority of Jamaica
PDVSA	Petroleos de Venezuela S.A.
PMC	Portmore Municipal Council
PAC	Public Accounts Committee
PBMA	Public Bodies Management and Accountability Act
PSEP	Public Sector Efficiency Programme
PSMD	Public Sector Modernization Division
RHA	Regional Health Authority
SLB	Students Loan Bureau

Vision

"Promoting a better country though effective audit scrutiny of Government Operations"

The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial and Administration and Audit Act.

This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

Website: www.auditorgeneral.gov.jm

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Section 1:

AUDITOR GENERAL'S OVERVIEW

AUDITOR GENERAL'S OVERVIEW

I am pleased to present my annual report for the financial year ended March 31, 2015. The report is divided into 7 sections and highlights the key findings of audits conducted between January and October 2015.

The Department has actively sought to implement several strategies in support of the Government of Jamaica Vision 2030 National Outcome 6, "strengthening public institutions to deliver efficient and effective public goods and services." In ensuring that the audit work reflects emerging risks and meet the needs of stakeholders, the Department continued its efforts to expand the types of audits undertaken. In devising the audit plan for the financial year ended March 31, 2015, I thought it necessary to assess governance practices within public sector entities paying special attention to monitoring and evaluation mechanisms.

I cannot guarantee that all errors or irregularities were identified, as our scope was limited to the sample selected for review. Nevertheless, the audits were planned in such a manner to reasonably identify instances of breaches and irregularities. All audit findings were communicated to the respective MDAs and they were provided with an opportunity to respond.

A total of 348 audits were conducted as follows: 67 Compliance; 165 Financial Statements; 98 Appropriation Accounts; 4 Performance and 14 Activity-based audits. The financial statements and activity-based audits examined expenditure by entities totalling approximately $266 Billion. Whereas our assurance audits (financial statements and compliance) revealed general conformity to accounting standards, our activity based audits revealed instances of departure from established rules and guidelines as well as instances where management actions contravened good governance. This was evident in the Ministry of Health's weak oversight and monitoring of the delivery of the chronic non-communicable diseases management programme by the Regional Health Authorities (RHAs). This weakness contributed to the inconsistent assessment of programme intervention through timely clinical audits, and inadequate reporting on programme outcomes. For example, while the Western Region reported it had failed to achieve the Service Level Agreement target of 51 percent of patients having controlled glucose levels, the other three RHAs did not report on their achievement of this target. On the other hand, the Housing Agency of Jamaica (HAJ) and the National Housing Trust (NHT) failed to complete the requisite due diligence prior to the commencement of projects and or initiatives resulting in large expenditures with less than commensurate value being realized.

As it pertains to monitoring and evaluation, the Jamaica Tourist Board (JTB) did not have a structured mechanism to assess the economy and efficiency of its marketing activities. This limited JTB's ability to determine whether services procured provided value for money, and if the intended outcomes were realized. Similarly, the National Youth Service (NYS) and the Universal Service Fund (USF) failed to implement monitoring and ex-post evaluation mechanisms to assess the impact of their various initiatives. In fact, the NYS in acknowledging the findings of the audit offered its own suggestion regarding the establishment of a monitoring and evaluation shared service which can be accessed by Government agencies. I am of the view that this suggestion is worthy of consideration by the Government being mindful of the pervasiveness of the weaknesses in programme/project implementation, monitoring and evaluation in the public sector.

Our assessment of the audited financial statements of eight public bodies covered a five-year period up to financial year (FY) 2014/15. The assessments were solely analytical reviews as no audits of the operations of the entities were conducted. In this regard, the calculation of ratios was intended to enable trend analyses of key items in the financial statements. The assessment was intended to inform Parliament and guide the Public Accounts Committee in their review of the financial performance of public bodies in the context of the Fiscal Responsibility Framework (FRF).

In keeping with our mission to "develop and maintain the professional competence of our staff" the services of a consultant from the National Audit Office in the UK was engaged to advance the training of 40 members of staff in the risk-based audit approach to financial statement. The training involved 7 pilot audits and included classroom sessions as well as the practical application of the knowledge received. The Department also participated in an IDB funded peer review of the Supreme Audit Institution of Trinidad and Tobago in November 2015.

Finally, I must commend my staff for their commitment, contribution and support despite the many challenges. This report would not have been possible without their relentless efforts. I must also thank Heads of Departments of the various MDAs for the courtesies extended to my staff, as well as other stakeholders for their invaluable input.

Pamela Monroe-Ellis F.C.C.A., F.C.A, C.I.S.A.,
Auditor General
22nd DECEMBER, 2015

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Section 2:

ORGANIZATIONAL REVIEW

EXECUTION OF MANDATE

2.1.1 The AuGD is aware of the need to continuously assess the strengths and weaknesses internal to the Department's operations and processes and the external opportunities and threats presented by the environment in which we operate; in order to deliver on our constitutional mandate. As such, the legislative, economic, societal, and technological factors, along with the risks to achieving our mandate must be analyzed and effective strategies developed to capitalize on our opportunities, strengths and other efficiencies that this department enjoys. It is of paramount importance that we are cognizant of the deficiencies which, quite possibly, can expose the Department to various risks. With this information we can develop and apply strategies for future operations and to guard against or address these factors if and when they arise.

LEGISLATIVE ENVIRONMENT

2.1.2 The legal framework for the Auditor General, which is entrenched in the Constitution, outlines her responsibility to audit all Government institutions, including those entities and projects where Government's money is spent. The Constitution also speaks to the independence of the Auditor General which insulates the Auditor General from the control or direction of a body or person. However, the AuGD has fallen short of the standards of independence set by INTOSAI as the financial and human resources of the Department are controlled by the Ministry of Finance and Planning (MOFP) and the Office of the Services Commission (OSC), respectively.

ECONOMIC ENVIRONMENT

2.1.3 Jamaica has implemented a fiscal reform programme under the aegis of the International Monetary Fund (IMF), which requires prudent fiscal management. The AuGD plays a critical role in reporting on the stewardship of public funds and provides recommendations to improve good governance, accountability and transparency in Government operations. The AuGD continues to focus on performance audits to assess efficiency, effectiveness and economy in Government operations and reports on whether the GOJ's Fiscal Policy Paper complies with the principles of prudent fiscal management.

PUBLIC SECTOR CONTEXT

2.1.4 The AuGD is committed to comply with governance and accountability rules to which we hold Ministries, Departments and Agencies (MDA). The AuGD intends to lead by example by managing our operations economically, efficiently and effectively, and in accordance with applicable laws and regulations. International best practice dictates that SAI's should be subject to independent external scrutiny. The AuGD is audited by the Internal Audit Unit of the Ministry of Finance & Planning in keeping with Section 122 (4) of the Constitution.

SOCIETAL ENVIRONMENT

2.1.5 In order to maintain our relevance to the citizens, Parliament and other stakeholders, the Department must understand the societal context to enable us to communicate effectively with our key stakeholders. Our reports should be clear and concise, avoiding technical jargons and accounting terms, where practicable. The society needs to be aware of the negative impact arising from the lack of transparency and accountability in the public sector. The AuGD also needs to understand the key national challenges affecting stakeholders and organise formal avenues of interaction at all levels. For example, in the planning and fieldwork stage of all performance audits, the views of key stakeholders through focus group meetings are sought.

2.1.6 AuGD continues to build strong relationships with committees such as the Public Accounts Committee and external bodies, which will strengthen the accountability process and aid in the adoption of our audit recommendations by the entities.

TECHNOLOGICAL ENVIRONMENT

2.1.7 The use of more technology in our audit processes will result in greater efficiency in our overall performance. As such, the Department utilizes technology to document and communicate audit evidence. In 2015, we embarked on a process to modernize the records management system. This is being done with the support of the Cabinet Office as part of the GOJ's Records Information Management Project.

CONCLUSION

2.1.8 The Auditor General's Department has a number of factors that will contribute to sustained efficiency. These factors provide the necessary foundation to ensure that we have a dynamic environment, which promotes development, and is responsive to change. We are constantly working to acquaint ourselves with best practices and government guidelines and initiatives. However, there are various constraints which impact negatively on our operations. These are being identified and analyzed, and strategies are being developed to appropriately address these. Opportunities are available and accordingly, this Department will be paying particular attention to those factors to capitalize on them. There are several threats to achieving our objectives. We will aim to eliminate those weaknesses and, as far as possible, mitigate the threats over which we have control and capitalize on our strengths. As we build on our advantages, we will be better able to manage and ensure future success.

ORGANISATIONAL REVIEW

AuGD VISION & MISSION STATEMENTS

Vision	Mission
• To promote a better country through effective audit scrutiny of government operations.	• Conduct independent audits and make reports to improve the use of public resources; • Promote transparency, accountability, and best practices in Government operations; • Develop and maintain the professional competence of our staff; • Maintaining relevance to citizens, Parliament and other stakeholders; and • Ensure transparency, accountability, effectiveness and efficiency in our internal processes, with due regard to quality and best practices

ADMINISTRATIVE REVIEW

ORGANISATIONAL STRUCTURE

2.2.1 The Auditor General's Department is divided into two Divisions – Corporate Services and Audit Services. Corporate Services is comprised of Human Resources & Administration, Accounts and Records Management. Audit Services is comprised of Performance, Assurance and two new units - Quality Assurance and Economic Assessment, which were established in 2015.

2.2.2 Resulting from the PricewaterhouseCoopers Organizational Review conducted in 2012, the Department completed a reorganization exercise and has undergone several operational adjustments to meet the needs of our stakeholders and clients.

2.2.3 This new structure became operational in April 2015 and resulted in the establishment being increased to 210. Recruitment efforts for the period to September 2015 saw a total of 20 additional staff being engaged whilst another 12 were promoted to higher positions.

GOVERNANCE & STRATEGIC PLANNING

2.2.4 The Governance mechanisms of the Department are administered through the responsibilities of the Executive Management Committee, the Audit Committee, the Quality Assurance Unit and the Corporate Services Division. The Economic Assessment Unit, though not tasked with governance within the Department, supports the strategic planning and assessment function of not only the AuGD but also the wider GOJ Fiscal Policy Framework.

Executive Management Committee (EMC)

2.2.5 The Executive Management Committee (EMC) was established in 2014 to provide professional and strategic leadership and direction for the operations of the Department in the most efficient, effective, transparent and economical manner. The EMC is chaired by the Auditor General and is comprised of the Deputy Auditors General and two named Audit Principals. The Committee meets at a set date on a monthly basis.

Audit Committee (AC)

2.2.6 The Audit Committee was established with the main objective to provide oversight on key aspects of internal controls and quality in the Department and to provide independent advice to the AG on the adequacy of these areas. The members of the Committee are drawn from the private sector with a representative from the AuGD. The Audit Committee meets on a quarterly basis.

Quality Assurance Unit (QAU)

2.2.7 The Quality Assurance Unit reports directly to the Auditor General and is responsible for the execution of the following key functions/activities:

- Assess and monitor the AuGD quality control systems
- Identify potential methodology to be implemented to improve audit processes

FINANCIAL MANAGEMENT

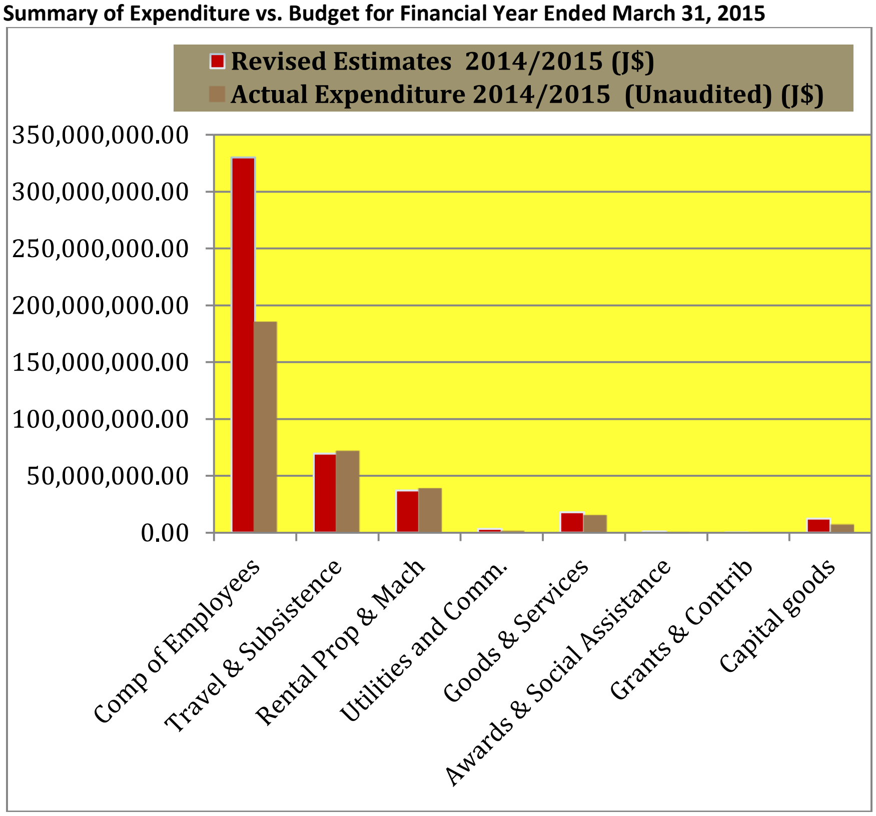
2.2.8 The Department's approved expenditure budget for the financial ended March 31 2015 totalled $532.9 million while the expenditure was approximately $322.6 million. The approved revenue budget namely Appropriations-in-Aid (A.I.A) was $10.0 million. The Department collected in excess of the $10.0 million; however, the excess was lodged to the Consolidated Fund.

2.2.9 The AuGD's Appropriation Account for the year ended March 31, 2015 was submitted to the Ministry of Finance and Planning (MoFP) to be audited in accordance with Section 122 (4) of the Constitution.

2.2.10 The Department's focal activity is highly labour intensive hence compensation of employees accounted for a significant portion ($184.4M or 57.2%) of total expenditure. However, actual expenditure was less than planned as the AuGD did not get the requisite approval from the Ministry of Finance for the revised structure until May 2015.

2.2.11 Travel expenses and subsistence of $71.9 million which accounted for 22.3% of budget exceeded the approved provision by 3.4% whilst rental of property and machinery exceeded budget by $2.3 million or 6.2%. The impact of these excesses were offset by lower amounts spent on utilities ($1.2 million), goods and services ($1.9 million) and capital expenditure of $4.6 million.

Summary of Expenditure vs. Budget for Financial Year Ended March 31, 2015



TRAINING AND DEVELOPMENT

2.2.12 Continuous professional training remains an integral component in the operations of the Department. Partnerships with training institutions such as MIND and ACCA were maintained and new partnerships forged to ensure that our audit teams in particular, were equipped with the most current audit methodologies. The participation of team members in a peer review of the Auditor General's Department of Trinidad and Tobago was another avenue from which hands on training was received. The review was conducted utilizing the SAIs' Performance Measurement Framework. Peer reviews are executed as a means of reinforcing the consistent application of professional standards within Supreme Audit Institutions (SAIs).

2.2.13 Targeted training in the form of a joint audit was conducted in value for money auditing techniques through CAROSAI funded by IDI. The AuGD also conduct training in the risk-based approach to financial statements audit with the support of the National Audit Office of the UK facilitated by sponsorship through the Public Sector Efficiency Programme (PSEP) and funded by the IDB. Another cohort of the sponsorship will see the Department's Registry system being significantly upgraded and reorganized.

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Section 3:

EXECUTIVE SYNOPSIS

3.1.1 The Annual Audit Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 (2) of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. The Auditor General has the responsibility to audit the accounts of all public bodies and to prepare an annual report to be submitted to Parliament. The Department received delegated authority from the Public Service Commission in April 2012 which gave it autonomy over the management of its human resources.

3.1.2 The Report contains the findings from the audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year ended March 31, 2015. 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.

3.1.3 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:

a. *the accounts referred to in that section are being faithfully and properly kept;*
b. *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;*
c. *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"…*

3.1.4 The Department's major aim is promoting accountability, transparency and efficiency in government operations. Our subsequent recommendations are aimed at providing management with information to enable them to address weaknesses and improve their systems.

3.1.5 The audits of most Ministries, Departments, Executive Agencies and Public Bodies for the 2014/2015 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. It also included obtaining the information and explanations considered necessary for certifying 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.

Public Accounts Committee

3.1.6 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 recommendations as to the corrective measures which should be pursued.

3.1.7 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 March to November 2014, the Committee examined the Auditor General’s Annual Report for the financial year 2013/2014 as well as other special and performance audit reports.

Contents of this Report

3.1.8 This report summarizes several matters of concern emanating from our 2014/2015 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 reports. Where appropriate the comments and reactions of those officers to my findings are indicated.

3.1.9 In keeping with the statutory responsibilities mentioned at paragraph 3.1.1 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 (FAA), other Acts of Parliament, the Financial Regulations and Instructions, as well as good financial, accounting and management practices have not been observed. This Report therefore, seeks to emphasize the shortcomings and unsatisfactory features disclosed by the audits.

Generally Satisfactory Audit Findings

3.1.10 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. The major concerns emanating from the audits are outlined in sections 4-7

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Section 4:

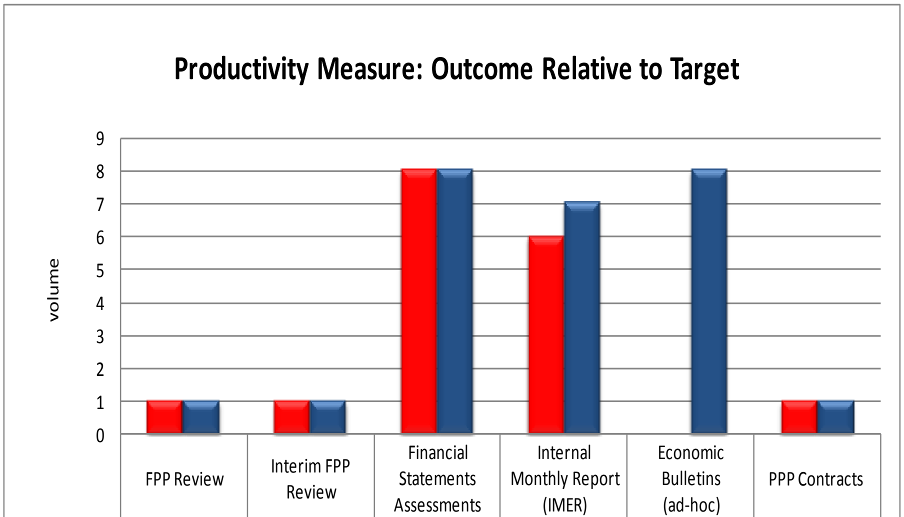
ECONOMIC ASSESSMENT REVIEW

ECONOMIC ASSESSMENT UNIT

4.1.1 Under the FAA Act, the Auditor General (AG) is required to examine the components of the Fiscal Policy Paper (FPP) and provide a report to the Houses of Parliament. Accordingly, the AG is required to indicate whether the conventions and assumptions underlying the preparation of the FPP comply with prudent financial principles.

4.1.2 During 2015, the EAU carried out a number of activities to enable the AG to fulfill her obligations under the FAA Act and Constitution. These activities were also undertaken in accordance with standards issued by The International Organisation of Supreme Audit Institutions and The International Standard on Assurance Engagement (ISAE) 3000.

	PERFORMANCE / OUTCOME	REQUIREMENTS AND PERFORMANCE CRITERIA
	Review of Fiscal Policy Paper FY15/16 - February 19, 2015	Report submitted to Parliament on February 23, 2015 in compliance with the FAA Act. Section 48B (6) of the FAA Act requires submission of the report within two weeks after the FPP is tabled in Parliament.
	Review of Fiscal Policy Paper FY15/16 Interim Report September 29, 2015	Review completed on October 12, 2015 in accordance with the AG's constitutional responsibilities, with due consideration for the FAA Act. However, the report was not submitted to Parliament earlier as the response from the MoFP was not received until November 26, 2015.
EXTERNAL	**Assessments of Public Bodies' Financial Statements**	Assessments undertaken using ratio analyses, to guide the Public Accounts Committee (PAC) of Parliament in its review of public bodies' financial performance.
EXTERNAL	**Review of Kingston Container Terminal contract**	Review of public private partnership (PPP) to assess contingent liabilities and risks of the FRF. Finalisation pending receipt of the KCT PPP Business Case, which is currently being reviewed by the MoFP.
INTERNAL	**Internal Monthly Economic Report (IMER)**	Reports prepared to inform review of FPP (including Interim FPP) and to update staff on fiscal policy and debt developments.
INTERNAL	**Internal Bulletins (special economic reports)**	Bulletins focused on developments relevant to the achievement of fiscal and debt targets to inform FPP analysis and educate staff.



	FPP Review	Interim FPP Review	Financial Statements Assessments	Internal Monthly Report (IMER)	Economic Bulletins (ad-hoc)	PPP Contracts
Target	1	1	8	6		1
Outcome	1	1	8	7	8	1

THE AUDITOR GENERAL'S REVIEW OF THE FISCAL POLICY PAPER FY2015/2016 - INTERIM REPORT, 29 SEPTEMBER 2015

OVERVIEW

4.2.1 The review of the Interim Fiscal Policy Paper (FPP) was conducted in accordance with the Auditor General's responsibilities under Section 122 of the Constitution of Jamaica.

FINDINGS

4.2.2 With respect to the Interim FPP FY2015/16, there was substantial focus on fiscal performance for April to August 2015 relative to the similar period in FY2014/15 whereas discussion on outcomes relative to budget was generally limited. This constrained my ability to assess the reasonableness of some deviations from the economic programme targets in the context of the Fiscal Responsibility Framework (FRF).

4.2.3 Criterion C of the FAA Act requires that borrowings by the Government are to be geared toward investment activities that support productivity and economic growth. While specific targets were not established for this principle, a definition previously provided by the MoFP identified investment activities that support productivity and economic growth as ***"expenditure which seeks to enhance the country's economic capacity".*** The MoFP further classified such activities as those related to ***"investments in physical infrastructure, transportation rehabilitation and education-and-health".*** The MoFP noted that ***"the investment activities of the GOJ that support productivity and economic growth are usually contained in the capital budget".*** For FY2015/16 capital expenditure is budgeted to be 23.6 per cent of borrowings. For the first five months of FY2015/16, capital expenditure (excluding debt amortisation) was 25.8 per cent below budget, accounting for 8.8 per cent of non-debt expenditure relative to the budgeted 11.3 per cent and reflected a declining trend from the 21.2 per cent for April to August FY2010/11.

4.2.4 The Medium-Term Macroeconomic Profile in the September Interim FPP refers to an average oil price (WTI) of US$53.4 per barrel (bbl) for FY2015/16 relative to US$53.2/bbl in the February FPP[1]. My research indicates that prices for petroleum products on the domestic market are based on US Gulf Coast prices; however no link was established between the WTI and the US Gulf reference price in the Interim FPP. Hence, I was restricted in assessing the veracity of the projections for tax revenue particularly in a context where oil prices impact revenue from

[1] West Texas Intermediate (WTI)

the special consumption tax (SCT). Further in a context where oil prices have fallen below US$50/bbl since end-August, I was unable to ascertain whether allowances were made for potentially lower tax receipts arising from this source.

4.2.5 The Interim FPP indicated a passive shortfall of $5.1B in Revenue and Grants for FY2015/16 arising from a number of factors including sluggish non-tax revenue, a shortfall in revenues from the bauxite/alumina sector and lower GDP. It was indicated that non-tax revenue was 15.4 per cent below budget due to less than anticipated miscellaneous revenue for MDA. However no disaggregation of non-tax revenue was provided to enable a comment on the reasonableness of the deviation. The MoFP responded that ***"non-tax revenue was being reconciled with the Accountant General's Department and as such more detail would be provided in the February 2016 FPP".***

4.2.6 Whereas the lower bauxite levy for FY2015/16 was linked to a fall in aluminum prices, no explanation was provided for the downward revision in bauxite levy receipts for the medium-term. The MoFP indicated that ***"Appendix II Fiscal Risks actually speaks to falling prices for aluminum leading to a reduction in the forecast for Bauxite Levy"***. However, given that the 'Appendix of Fiscal Risks' only identified challenges in FY2015/16, I was unable to conclude on the medium-term.

4.2.7 Grant receipts for April to August FY2015/16 was $1.1B below target with project delays identified as being responsible for the shortfall. It was indicated that Grants are projected to recover to be relatively in line with budget of $9.4B for FY2015/16. However, the MoFP did not provide any information regarding the nature of the projects that were delayed or the timing for implementation of these projects. The MoFP responded that ***"it must be noted that if the Grant inflows do not materialize then the associated capital expenditure will not take place. Thus the impact on the primary surplus would be nullified";*** however, the MOF still did not specify the affected projects.

4.2.8 The Interim report stated that revisions to FY2016/17 and the medium-term economic growth forecast are based on successful implementation of the Economic Reform Programme (ERP) by the Government. However, no information was provided regarding timelines for the successful implementation of the various aspects of the ERP and Strategic Growth Inducement projects. Hence, I was unable to confirm the reasonableness of expectations regarding impact on growth in the FY2016/17 and the medium-term. The MoFP indicated that ***"a more substantive presentation on Growth Inducement Projects will be provided in the Feb'2016 FPP".***

4.2.9 The Interim FPP made reference to the GOJ definition of the debt stock when discussing the change at end-July 2015 relative to end-March 2015. However, when discussing the impact of the PetroCaribe Debt, only the Extended Fund Facility (EFF) definition was used with no reference to the comparative trajectory under the GOJ definition. As a consequence I was unable to assess the trend in the debt/GDP ratio against the ratios reported in the previous FPP reports. **Criterion A of the FAA Act states: Total (public) debt is to be reduced to, and thereafter maintained, a prudent and sustainable level** and although applicability of the redefined debt to GDP target has been delayed to take effect from April 1, 2017, provision of a comparable series would have enhanced an understanding of the current trend in the ratios.

RECOMMENDATIONS

1. In the context of the recent buy-back of PetroCaribe debt owed to PDVSA and the remaining $1.2B to be amortised by the PetroCaribe to Central Government, it is recommended that going forward, the FPP carries both the EFF and the GOJ representation of the debt statistics for the current and medium-term to facilitate greater transparency. The MoFP indicated it had "no objection" to this recommendation. The MoFP further stated that "in the future, information on both definitions will be provided as recommended by the Auditor General".

2. Given that prices for Petrojam petroleum products on the domestic market are based on the US Gulf Coast prices, it is recommended that projections for the US Gulf Coast prices are included in the FPP along with projections for the West Texas Intermediate (WTI). The MOFP in response, stated that it "takes note of this recommendation and will give it due consideration".

FINANCIAL STATEMENTS ASSESSMENT

4.3.1 The Board of a public body is required to submit the annual report including audited financial statements of the public body to the responsible Minister as soon as possible after the end of each financial year, but not more than four months thereafter. The responsible Minister *'shall cause the report and statements to be laid on the Table of the House of Representatives and of the Senate'.*

4.3.2 The assessment of financial statements which involves ratio analyses, was undertaken to inform Parliament, and guide the Public Accounts Committee (PAC) in their review of the financial performance of public bodies. In accordance with the Public Bodies Management and Accountability (PMBA) Act, public entities are required to demonstrate prudent financial management of public resources in the context of the Fiscal Responsibility Framework

Disclaimer

The Financial Statements Assessment is solely, an analytical review of the audited financial statements of the entity. We did not conduct an audit of the operations of the entity. In this regard, the calculation of ratios was intended to enable trend analyses of key financial items in the balance sheets and income statements of the entity, along with notes provided.

NATIONAL WATER COMMISSION

4.3.3 The financial statements assessments covered the financial years 2009/10 to 2014/15. Of note, on June 14, 2010, Cabinet approved the transfer of GOJ's interest in Central Wastewater Treatment Company Limited to the National Water Commission. Accordingly, the financial statements assessment was conducted using NWC's Group audited financial statements for FY2014/15 and FY2013/14 and restated audited accounts of the Commission for FY2012/13 and FY2011/12. The earlier years, FY2010/11 and FY2009/10 audited financial statements were not restated.

ASSESSMENT

Earnings

4.3.4 **The NWC recorded net operating deficits between FY2009/10 and FY2014/15**. Although the net operating deficit narrowed to $3.2B at end FY2014/15 from a loss of $6.8B for FY2013/14, the deficit was almost similar to that recorded for FY2009/10 (**Table 1**). The 52.4 per cent reduction in the net operating deficit for FY2014/15 relative to the previous year resulted mainly from increased revenue from the supply of water, sewerage and service charges coupled with a slight reduction in expenses.

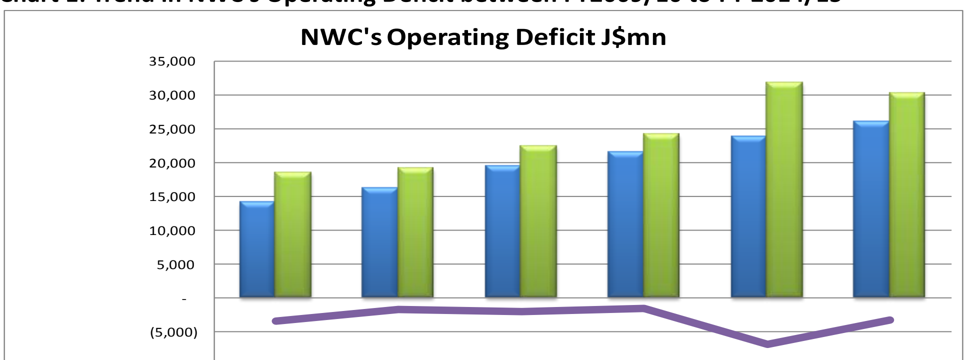
4.3.5 Despite the reduction in the net deficit position in FY2014/15, continued growth in expenses, in particular foreign exchange losses and pension costs undermined the company's financial position. The sharp increase in the net operating deficit for FY2013/14 relative to FY2012/13 largely resulted from increased expenses primarily related to repairs and maintenance, electricity and administrative costs as well as exchange rate depreciation, which continued to erode NWC's income stream **(Chart 1)**.

Table 1: NWC's Earnings between FY2009/10 and FY2014/15 (J$ M)

Indicator	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Core Business Income	25,960.7	23,819.5	21,553.4	19,522.4	16,232.7	14,121.5
Other Income	1,013.1	1,083.8	995.8	871.5	1,185.7	874.2
Total Expenses	30,220.2	31,720.2	24,294.77	22,460.3	19,175.1	18,490.0
Net Operating Deficit	**(3,246.4)**	**(6,816.9)**	**(1,644.6)**	**(2,066.4)**	**(1,756.7)**	**(3,494.3)**
Taxation	2,795.6	(1,028.3)	2,898.6	-	(1,949.6)	760.6
Net Income (after tax)	**(450.8)**	**(7,845.2)**	**1,153.07**	**(2,066.4)**	**(3,706.3)**	**(2,733.7)**
Equity	**2,986.0**	**4,062.9**	**15,130.5**	**(378.6)**	**592.3**	**4,298.6**

Source: NWC's audited financial statements

Chart 1: Trend in NWC's Operating Deficit between FY2009/10 to FY 2014/15



	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Core Business Income	14,122	16,233	19,522	21,553	23,820	25,961
Total Expenses	18,490	19,175	22,460	24,194	31,720	30,220
Net Operating Deficit	(3,494)	(1,757)	(2,066)	(1,645)	(6,817)	(3,246)

Source: NWC's audited financial statements

Capital

4.3.6 **NWC's debt to equity ratio rose to 25.89 at end FY2014/15 from 18.23 in FY2013/14 and 7.75 in FY2009/10 (Table 2).** The NWC recorded a 38.2 per cent reduction in total equity to $3.0B at end FY2014/15 from $4.1B the previous year and $4.3B FY2009/10. This decline was mainly attributed to the company's accumulated deficit which grew by 3.9 per cent to $28.6B relative to the previous year and by 152.8 per cent relative to FY2009/10. NWC's debt to equity ratio indicated that the entity did not have sufficient equity to withstand periods of financial difficulties and adequately meet its obligations. The relatively high debt to equity ratio also indicated significant risk to NWC's viability given the high level of funding from debt.

Table 2: Historical Capital between FY2009/10 and FY2014/15 (J$ M)

Indicators	2014/15*	2013/14*	2012/13#	2011/12#	2010/11	2009/10
Assets	**80,312.1**	**78,126.7**	**74,255.2**	**44,637.1**	**38,663.4**	**37,615.3**
Liabilities	**77,321.4**	**74,076.9**	**59,124.7**	**45,015.8**	**38,071.1**	**33,316.7**
Reserves	31,631.3	31,631.3	31,631.3	15,677.6	15,629.4	15,629.4
Accumulated Deficit	(28,645.3)	(27,568.5)	(16,500.8)	(16,056.3)	(15,037.1)	(11,330.8)
Total Equity/Capital	**2,986.0**	**4,062.9**	**15,130.5**	**(378.6)**	**592.3**	**4,298.6**
Debt to Capital Ratio	0.96	0.95	0.80	1.01	0.98	0.89
Debt to Equity Ratio	25.89	18.23	3.91	(118.89)	64.28	7.75

Source: NWC's audited financial statements
*Group audited financial statements
Re-stated Commission audited financial statements

4.3.7 **NWC's debt to capital ratio rose marginally to 0.96 at end FY2014/15 from 0.95 the previous year but more significantly relative to 0.89 for FY2009/10.** Total liabilities grew by 4.4 per cent relative to FY2013/14 and exceeded liabilities for FY2009/10 by 132.1 per cent with loans being the major contributor to the increase. NWC's stock of loans (long-term liabilities) increased by 6.7 per cent to $34.2B at end FY2014/15 relative to the previous year and exceeded the stock for FY2009/10 by 318.0 per cent. Given that NWC's long-term loans are guaranteed by the GOJ and are largely denominated in foreign currency, these represented an explicit contingent liability to the GOJ with added exposure to foreign exchange rate risks.

Assets

4.3.8 **NWC's total assets grew by 2.8 per cent to $80.3B at end FY2014/15 relative to FY2013/14 and by 113.5 per cent over the six-year assessment period.** Of note, fixed assets, which represented 85.3 per cent of total assets at end FY2014/15, grew by $890.9M (1.3 per cent) relative to the previous year and by $38.3B (126.6 per cent) relative to FY2009/10. Over the six year period ended FY2014/15 fixed assets averaged 82.8 per cent of total assets (**Table 3**).

4.3.9 **NWC's asset turnover rose marginally to 0.32 at end FY2014/15 from 0.30 the previous year but fell relative to the ratio of 0.38 for FY2009/10 (Table 3).** The asset turnover ratio measures how efficiently an entity is utilising its assets. The increase in the asset turnover ratio for FY2014/15 relative to FY2013/14 suggested that NWC's fixed assets were marginally more productive in generating revenues relative to the previous year. However, when compared to FY2011/12 and the earlier years, NWC's asset utilisation was far less efficient or productive in generating revenues. In this regard, the general decline in the asset utilisation ratio over the assessment period indicated a negative relationship between inputs and outputs, thereby contributing to the accumulated deficit of the entity.

Table 3: Analysis of Assets between FY2009/10 and FY2014/15 (J$ M)

Asset Type	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Cash and Bank Balances	2,138.0	2,520.0	6,505.8	5,369.5	1,528.1	491.5
Short Term Investments	200.1	874.6	186.0	397.7	84.8	319.4
Accounts Receivables	6,349.2	5,656.0	3,965.1	3,166.4	2,168.3	2,407.9
Inventory	972.2	1,028.8	1,018.0	1,197.6	987.1	1,071.2
Fixed Assets	68,545.4	67,654.5	62,165.2	34,029.6	32,774.8	30,264.7
Other Assets	2,107.2	392.8	415.2	476.3	1,120.3	3,060.6
Total Assets	**80,312.1**	**78,126.7**	**74,255.2**	**44,637.1**	**38,663.4**	**37,615.3**
Sales	**25,960.7**	**23,819.5**	**21,553.4**	**19,522.4**	**16,232.7**	**14,121.5**
Receivables Outstanding Days	89.27	86.67	72.54	59.2	48.75	62.24
Receivables Turnover	4.09	4.21	5.44	6.17	7.49	5.86
Total Assets Turnover	0.32	0.30	0.29	0.44	0.42	0.38

Source: NWC's audited financial statements

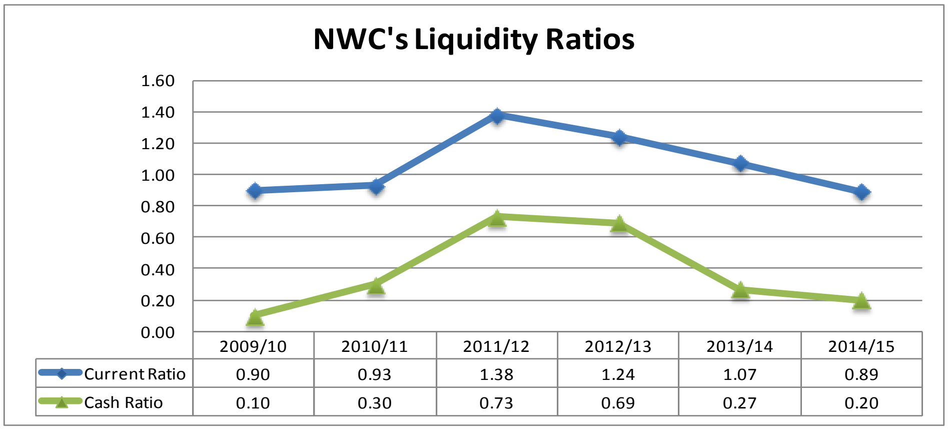
4.3.10 **NWC's receivables turnover fell to 4.09 at end FY2014/15 from 4.21 the previous year and 5.86 in FY2009/10.** The deterioration in the turnover ratio reflected a slower rate of payment for goods sold relative to the previous year. A significant portion of NWC's receivable balances were over 90 days and due from the public sector, indicating that NWC experienced challenges in its billing and collection process. This contributed significantly to the continued deterioration in the entity's financial position, undermining its ability to meet its obligations. Receivables outstanding days rose to an average of 89 days for FY2014/15 from 87 days in FY2013/14 and 62 days in FY2009/10 **(Table 3)**. The NWC's annual reports indicated that improved efforts and measures to include legal actions have been implemented by the company's debt management unit in an effort to improve compliance especially in under-performing parishes.

Liquidity

4.3.11 **NWC's current ratio fell to 0.89 at end FY2014/15 from 1.07 the previous year but averaged 1.07 over the assessment period (Chart 2).** The current ratio of an entity is a liquidity and efficiency ratio that measures whether or not the entity has enough resources to pay its short-term liabilities (due over the next 12 months) with its current assets. The reduction in NWC's current ratio indicated that the company was not earning sufficiently from operations to support its various activities. This was also reflected in NWC's poor collection of accounts receivables and the high leverage of the entity. Continued reductions in the company's liquidity indicate that NWC would be unable to fulfil its obligations if subjected to demands for large payments in the short-term.

4.3.12 **NWC's cash ratio fell to 0.20 at end FY2014/15 from 0.27 the previous year but averaged 0.38 between FY2009/10 to FY2014/15 (Chart 2).** The cash ratio is the ratio of a company's cash and cash equivalent assets to its total liabilities. NWC's cash fell by $382.1M in FY2014/15 whereas current liabilities grew by $1.5B relative to the previous year. Further, NWC's low cash ratio indicated that the entity required more than just cash to pay off its current debt and needed to convert other assets into cash and cash equivalents in order to meet its obligations **(Chart 2)**.

Chart 2: Analysis of the NWC's Liquidity between FY2009/10 to FY2014/15



	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Current Ratio	0.90	0.93	1.38	1.24	1.07	0.89
Cash Ratio	0.10	0.30	0.73	0.69	0.27	0.20

Source: Analysis of NWC's audited financial statements

RECOMMENDATION

A significant cut in operational costs is critical to the viability of the NWC.

PETROCARIBE DEVELOPMENT FUND (PCDF)

4.3.13 The financial statements assessment of the PetroCaribe Fund covered the financial years 2009/10 to 2014/15.

Earnings

Table 4: Income Statement FY2009/10 to FY2013/14 (J$ M)

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Income	16,922.4	3,943.8	10,849.9	8,036.3	6,559.8	5,154.5
Loan Interest Income	*6,771.1*	*5,683.2*	*5,017.0*	*3,987.5*	*3,897.2*	*3,458.7*
Investment Interest Income	*9,353.0*	*7,422.6*	*4,777.3*	*3,306.5*	*2,111.4*	*1,440.5*
Other Income	*798.3*	*838.0*	*1,055.6*	*742.2*	*551.2*	*255.2*
Expenses	4,158.5	3,576.1	3,792.9	2,648.3	1,259.9	1,401.4
Net Profit	**12,763.9**	**10,367.7**	**7,057.0**	**5,388.0**	**5,299.9**	**3,753.1**

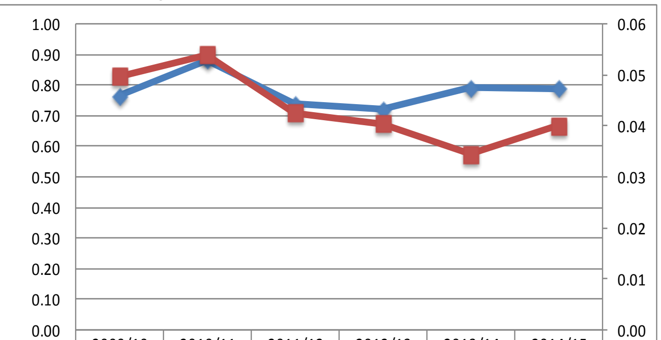
Source: PCDF's audited financial statements

4.3.14 **The PCDF's net profit improved to $12.8B at end FY2014/15 from $10.4B for the previous year and $3.8B for FY2009/10 (Table 4).** In FY2014/15, the main sources of income for the PCDF remained its securities investment and loan portfolio despite a shift in profile relative to FY2009/10. GOJ securities accounted for 83.4 per cent of total investments while, foreign currency denominated instruments accounted for 91.2 per cent, compared to 88.1 per cent and 97.6 per cent, respectively, for FY2013/14.

4.3.15 At the end FY2014/15, PCDF's investment income exceeded the previous year's earnings by $1.9B or 26.0 per cent while loan interest rose by $1.1B or 19.1 per cent. Investment income accounted for 55.3 per cent of total income relative to 53.2 per cent in FY2013/14 and 27.9 per cent in FY2009/10. Loan income on the other hand, accounted for 40.0 per cent of total income compared to 40.8 per cent the previous year and 67.1 per cent in FY2009/10.

4.3.16 **The PCDF net profit margin was unchanged at 0.79 for FY2014/15 relative to FY2013/14, increasing from 0.72 in FY2012/13** (**Chart 3**)**.** Further, the ratio averaged 0.78 for the six-year assessment period. The net profit margin ratio indicates the proportion of income from core business activities, i.e. loans to public sector and investment in securities, which translate to profits. The improvement in net profit margin over the six-year assessment period was underpinned by steady growth in the core revenues of interest income from loans and investments due to expansions in the PCDF's loan and investment portfolios. For FY2013/14, the improvement in net profit margin relative to the previous year was influenced by strong growth of 28.5 per cent in income augmented by a 5.7 per cent reduction in expenses.

Chart 3: Selected Profitability Ratios - FY2009/10 toFY2014/15



	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Net Profit Margin (LHS)	0.77	0.88	0.74	0.72	0.79	0.79
Return on Assets (RHS)	0.05	0.05	0.04	0.04	0.03	0.04

Source: AuGD's computations

Return on Assets

4.3.17 **The PCDF's return on assets ratio of 0.04 for FY2014/15 reflected a marginal increase relative to the previous year and was in line with the average for the assessment period**. For FY2014/15, the ratio indicated that only $0.04 of net income was generated for every dollar of assets invested by the PCDF**.** The relatively flat ratio was largely due to a simultaneous increase in net income and the asset base over the six-year assessment period (**Chart 3**). In addition, the return on asset also reflected the reduction in the coupon on domestic GOJ debt instruments held by the Fund in a context of the debt exchanges of 2010 (JDX) and 2013 (NDX) and the subsequent declining interest rate environment.

LOANS PERFORMANCE

Table 5: Total Assets and Liabilities FY2009/10 to FY2014/15 (J$ M)

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Total Assets	**389,728.6**	**340,414.9**	**261,535.8**	**187,455.0**	**132,851.3**	**107,736.3**
o/w Loans Receivable	*241,671.3*	*204,262.5*	*162,995.9*	*110,235.8*	*85,432.5*	*80,270.4*
Investment Securities	*106,011.5*	*77,226.0*	*52,952.9*	*32,786.4*	*18,875.6*	*12,501.1*
Total Liabilities	**345,129.4**	**308,931.3**	**240,595.8**	**171,202.1**	**121,894.6**	**103,476.2**
o/w PDVSA Liability	*344,448.2*	*308,670.3*	*240,378.4*	*171,101.4*	*121,889.2*	*103,460.8*
Total Equity	**44,599.2**	**31,483.5**	**20,940.1**	**16,253.0**	**10,956.7**	**4,260.2**

Source: PCDF's Audited financial statement

4.3.18 **The PCDF total loan receivables grew by 16.8 per cent in FY2014/15 relative to the previous year and significantly exceeded the level for FY2009/10** (**Table 5**)**.** The increase in loan receivables in FY2014/15 relative to the previous year was largely reflected in balances due from GOJ, Petrojam and Clarendon Alumina Production (CAP). Relative to FY2009/10, the increase reflected a significant expansion in loans to public sector entities which was buoyed by increased inflows from PDVSA under the PetroCaribe Agreement.

4.3.19 **PCDF's ratio of non-performing loans (NPLs) to outstanding loans exhibited a downward trend between FY2009/10 and FY2014/15 (Table 6).** In FY2014/15, the ratio of NPLs to total loans fell sharply to 5.1 per cent from 11.2 per cent for FY2013/14 and 25.0 per cent for FY2009/10. For FY2014/15, the decline relative to the previous year reflected the settlement of arrears by National Road Operating and Constructing Company and the Urban Development Corporation. At end FY2014/15, the stock of NPLs reflected the arrears of GOJ and Petrojam accounted for 66.7 per cent and 33.3 per cent of the outstanding non-performing loan balance, respectively[2]. The increase in the NPL ratio in FY2012/13 reflected arrears for CAP and Sugar Company of Jamaica.

[2] The principal amount for Petrojam is being serviced the loan and it is scheduled to be fully paid up by May 2016. For GOJ, arrears were a result of late banking settlement as amounts were due on March 31, 2015 however it was settled on April 1, 2015.

Table 6: Loans Outstanding - FY2009/10 to FY2014/15 (J$ M)

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Principal Outstanding	237,331.7	200,349.4	156,892.0	106,774.3	83,550.4	77,990.7
o/w Non-Performing Loans(NPL)	12,026.5	22,365.9	30,187.0	18,289.5	16,242.4	19,490.0
NPL (%)	**5.1**	**11.2**	**19.2**	**17.1**	**19.4**	**25.0**

Source: PCDF supplementary information.

LIQUIDITY

4.3.20 **The PCDF's major short-term obligation related to the repayment of loans from Petróleos de Venezuela, S.A (PDVSA) over the assessment period.** At end FY2014/15 loan repayments to PDVSA amounted to \$11.8B relative to \$9.0B in FY2013/14 and \$2.0B in FY2009/10 (**Table 7**). Accordingly, current liabilities grew by \$3.2B or 35.7 per cent in FY2014/15 relative to the previous year whereas current assets required to meet these obligations fell by \$7.9B or 10.2 per cent. Relative to FY2009/10, current liabilities grew by 497.8 per cent while current assets grew less sharply, by 364.4 per cent.

4.3.21 The PCDF's current assets mainly reflected short-term deposits and loan receivables. Notably, at end FY2014/15 the stock of short-term deposits accounted for 53.3 per cent of current assets, whereas loan receivables accounted for 34.5 per cent. Over the assessment period net current assets averaged \$50.3B, indicating that short-term resources were more than adequate to satisfy current liabilities.

Table 7: Current Assets ad Current Liabilities FY2009/10 to FY2014/15 (J$ M)

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Current Assets	**69,499.2**	**77,349.3**	**79,533.3**	**67,684.8**	**28,497.6**	**14,963.8**
Short term deposits	*37,041.6*	*45,257.3*	*30,248.6*	*24,608.5*	*16,951.2*	*6,544.5*
o/w cash equivalents	*505.8*	*8,998.7*	*3,842.4*	*6,621.8*	*9,350.3*	*6,488.7*
Loans Receivables	*24,002.4*	*17,933.5*	*31,814.7*	*19,431.0*	-	-
Due from Petrojam	*3,419.7*	*11,915.1*	*14,726.6*	*15,810.8*	*10,882.1*	*6,811.1*
Cash	*1,233.2*	*1,344.7*	*107.6*	*3,338.9*	*116.7*	*971.9*
Other Current Assets	*3,802.2*	*898.7*	*2,635.7*	*4,495.6*	*547.6*	*636.3*
Current Liabilities	*12,213.8*	*8,999.0*	*5,790.5*	*4,071.9*	*2,973.9*	*2,043.0*
o/w Current portion of PDVSA loan	*11,800.2*	*8,955.9*	*5,766.7*	*4,014.8*	*2,968.5*	*2,027.7*
Net Current Assets	**57,285.4**	**68,350.3**	**73,742.8**	**63,613.0**	**25,523.7**	**12,920.8**

Source: PCDF's Audited financial statements

CURRENT RATIO

4.3.22 **The PCDF's current ratio reflected a declining trend between FY2009/10 and FY2014/15, despite increasing between 2009/10 and FY2011/12 based on sharper growth in current assets relative to current liabilities** (**Table 8**). The management of PCDF responded that the current assets were held as an investment strategy in addition to the objective of providing liquidity in a context where returns on shorter tenured assets were noted to be fairly high. The significant reduction in the ratio for FY2014/15 relative to the previous year resulted from a 35.7 per cent increase in current liabilities due primarily to an increase in PDVSA loan obligations as well as a 10.1 per cent decline in current assets consequent on a fall in balances due from Petrojam and short-term deposits (**Table 8**).

Table 8: Selected Liquidity Ratios - FY2009/10 to FY2014/15

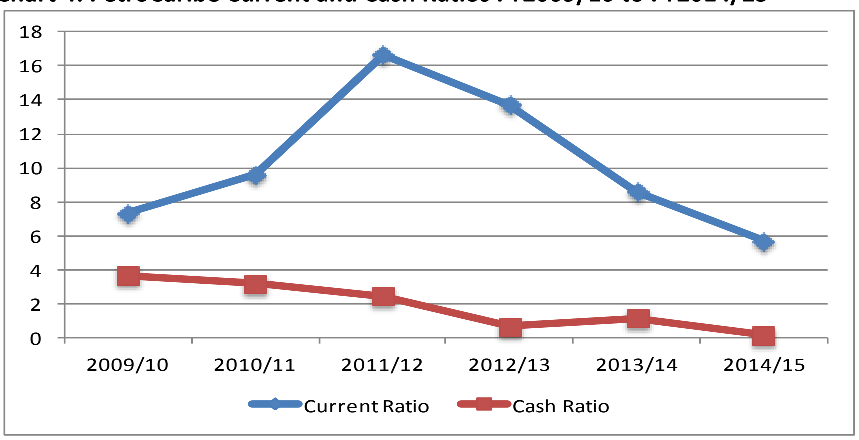
	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Current Ratio	5.69	8.60	13.74	16.64	9.60	7.32
Cash Ratio	0.14	1.15	0.68	2.45	3.18	3.65

Source: AuGD's computations.

CASH RATIO

4.3.23 **The PCDF cash ratio for FY2014/15 was 0.14 relative to 1.15 in FY2013/14 and 3.65 in FY2009/10,** indicating a significant reduction in liquidity coverage relative to the previous year and FY2009/10 (**Table 8).** The cash ratio provides a measure of the Fund's ability to use its most liquid assets (cash and cash equivalents) to meet its short term obligations[3]. The fall in the cash ratio for FY2014/15 reflected an $8.6B (83.2 per cent) reduction in cash and cash equivalents coupled with the impact of a $3.2B (35.7 per cent) increase in current liabilities largely related to PDVSA Venezuela. The decline in the ratio over the six-year assessment period reflected a sharper increase in current liabilities (497.8 per cent) as well as a fall in liquid assets (76.7 per cent) over the period (**Chart 4**).

Chart 4: PetroCaribe Current and Cash Ratios FY2009/10 to FY2014/25



Source: AuGD's computations

DEBT AND SOLVENCY

4.3.24 **The PCDF's total liabilities largely reflected loan obligations to PDVSA, which accounted for an average of 99 per cent over the assessment period.** Total liabilities increased by 11.7 per cent to $345.1B at end FY2014/15 relative to the previous year and by 233.5 per cent relative to FY2009/10. This performance was primarily influenced by increased loan inflows from PDVSA given an increase in the invoice amounts for crude oil purchases by Petrojam.

[3] Cash equivalents refer to the portion of short-term deposits with original maturity of less than 90 days.

DEBT TO ASSETS RATIO

4.3.25 **The debt to assets ratio of the PCDF declined to 0.88 at end-FY2014/15 from 0.91 in FY2013/14, but averaged 0.92 over the six-year assessment period (Table 9).** Given the nature of the Fund's operations under the PetroCaribe Agreement, activities carried out are generally financed by the portion of funds related to the purchase of oil from PDVSA that is converted to loans under the Agreement, with the exception of grant provisions[4]. The fall in the debt to assets ratio relative to the previous year occurred in a context where a $49.3B increase in assets countered the impact of a $35.8B increase in debt liabilities. The ratio's close proximity to 1 indicated that the value of the Fund's assets were just about sufficient to cover its debt liabilities.

4.3.26 With the Government being the holder of the debt, it is accepted that the default risk would be of a low order. However, increased risk may emanate from the fact that the Fund's investment securities are not all carried at fair value on its balance sheet[5]. Therefore the liquidation of these assets may result in a loss of value as the fair value amounts may be below the carrying value on the balance sheet of the PCDF[6]. The Managers of the Fund, cognizant of such risks, indicated that policies are in place to mitigate these risks.

Table 9: Selected Debt and Solvency Ratios FY2009/10 to FY2014/15

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Debt-Assets Ratio	0.88	0.91	0.92	0.91	0.92	0.96
Debt-Equity Ratio	7.72	9.81	11.49	10.53	11.13	24.29
Interest Coverage Ratio	4.84	4.78	4.51	4.75	5.41	5.13

Source: AuGD's computations.

[4] Grants are financed explicitly by surplus generated from the PCDF's core operations.

[5] A small portion of the Fund's investment securities are recorded at fair value on the balance sheet while the bulk represents the carrying value. The portion of investment securities that reflected carrying value amounted to $66.7 billion (62.9 per cent) in FY2014/15 relative to $72.2 billion (93.4 per cent) for FY2013/14.

[6] Fair values were computed based on market prices or broker/dealer price quotations. Where this information was not available the fair values were estimated using quoted market prices for securities with similar credit, maturity and yield.

DEBT TO EQUITY RATIO

4.3.27 **PCDF's debt-to-equity ratio fell sharply to 7.72 at end FY2014/15 from 9.81 for the previous year and 24.29 for FY2009/10.** The ratio for FY2014/15 indicates that debt was nearly 8 times the level of equity in the Fund. For FY2014/15, the reduction in the debt to equity ratio reflected an $11.7B (39.2 per cent) increase in the accumulated surplus relative to the previous year. The improvement in the ratio between FY2009/10 and FY2014/15 reflected a faster growth in equity relative to debt underpinned by an expansion in the accumulated surplus due to strong recorded profits (**Table 9**).

INTEREST COVERAGE RATIO

4.3.28 **PCDF increasing debt contributed to an increase in interest costs over the assessment period.** For FY2014/15 interest cost was $3.3B representing an increase of $579.3M or 21.1 per cent relative to the previous year. Despite the increase in interest costs over the assessment period, the PCDF was well positioned to meet these obligations when required, as evidenced by the interest coverage ratio which assesses the earnings available to meet interest obligations. For FY2014/15, the interest coverage ratio improved to 4.84 relative to 4.78 for FY2013/14 (**Table 9**). The interest coverage ratio averaged 4.90 for the six-year assessment period indicating that the Fund generated earnings before interest and taxes (EBIT) sufficient to cover on average, approximately 5 times interest costs. This performance was underpinned by the strong profitability of the PCDF driven by loan and investment interest income.

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Section 5:

PERFORMANCE AUDITS

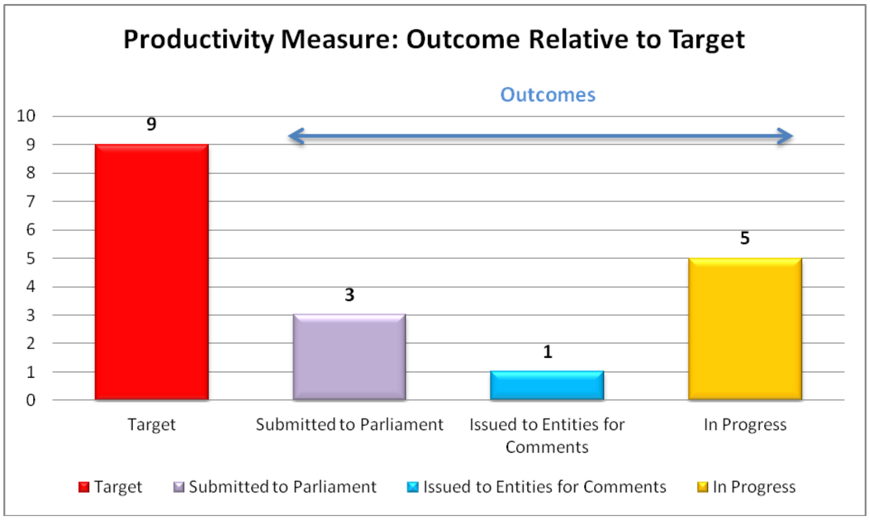
PERFORMANCE AUDIT

5.1.1 We conducted our performance audits in accordance with the standards and guidelines for performance auditing issued by INTOSAI. The planning process involved gaining a thorough understanding of the audited entity; assessing key risks and developing an issue analysis, which focuses on the main functions and operations of the entity. The fieldwork process involves our auditors obtaining sufficient, reliable and relevant audit evidence to satisfy the audit objectives and questions; interpret the audit evidence; and to be able to draw audit conclusions.

5.1.2 Table 10 shows that within this year, the Performance Audit Unit executed nine audits of which six are in progress at the end of the year.

Table 10 – Audits Executed

PERFORMANCE CRITERIA	OUTCOME	PERFORMANCE AUDIT UNIT (PAU)
EXTERNAL	Completed (3)	National Housing Trust (NHT), Ministry Of Health (MOH) – Management Of Diabetes and Development Bank of Jamaica (DBJ).
INTERNAL	Work-in – Progress (6)	National Works Agency (NWA) - Quality Management Systems, Ministry of Finance – Debt Management, National Insurance Fund (NIF), Tax Administration Jamaica (TAJ), Port Authority of Jamaica, Consultancies – Selected GOJ Ministries.



PERFORMANCE AUDIT REPORTS TABLED

5.2.1 The draft performance audit reports are submitted to the client in strictest confidence for the purpose of verifying the accuracy and completeness of the information contained therein. The final report incorporating updates made arising from the client's response, where applicable, is tabled in Parliament to allow for effective scrutiny of the entity's performance through the PAC, and is intended to influence decision-makers in government and to make changes that lead to better value for money outcomes to the benefit of taxpayers.

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Section 6:
ACTIVITY BASED AUDITS

ACTIVITY-BASED AUDITS

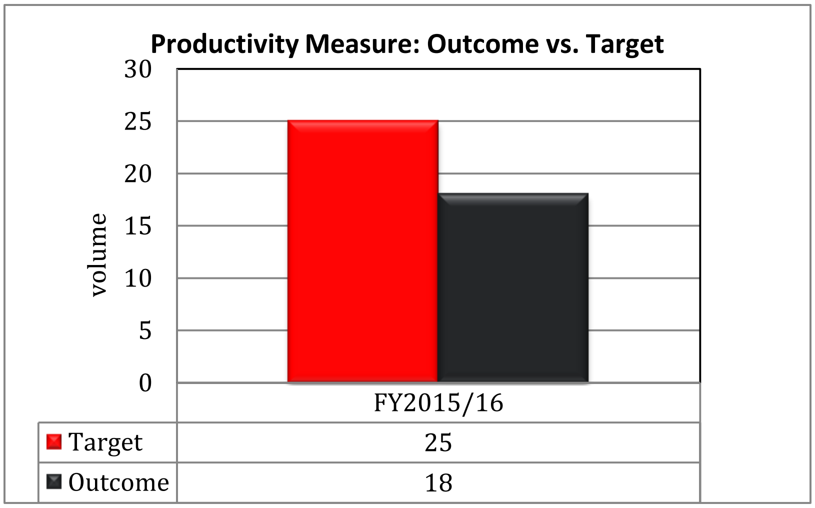
6.1.1 During the year, the Department continued its focus on audits that are designed to examine the extent to which Ministries, Department and Agencies (MDA's) were effectively, efficiently and economically carrying out their responsibilities. These audits were conducted using the Activity-based design which is a performance audit undertaken on a smaller scale and with specific emphasis on areas of highest risk. The intention is to allow for the examination of the control systems implemented by management to guarantee the achievement of its overarching objective or mandate. We conducted our Activity-based audits in accordance with the standards and guidelines promulgated for performance auditing issued by INTOSAI.

6.1.2 Table 11 shows that, within the year, the Department planned 25 Activity Based Audits, 6 were tabled, 6 are work in progress and 6 completed as at December 7, 2015 and 1 cancellation. Six audits were postponed to 2016.

Table 11: Status of Audits for 2015

ACTIVITY BASED AUDITS PLANNED AND RESULTS

Reports Tabled (6)	Jamaica Tourist Board (JTB), Early Childhood Commission (ECC), Housing Agency of Jamaica (HAJ), National Public Health Laboratory, Universal Service Fund (USF), Ministry of Labour and Social Security - NIS Pension
Reports Completed and included in annual report (6)	Private Security Regulation Authority (PSRA), National Youth Service (NYS), 4H Clubs, Parochial Markets, Food Storage and Prevention of Infestation Division, Constituency Development Fund (CDF)
Cancelled (1)	Public Sector Modernization Programme
Audit Postponed (6)	Ministry of Transport, Works and Housing: Assets Management; Workplace Safety; Accountant General's Dept: Loans Management; Management of Trust and Appropriated Funds, Foreign Affairs: Financial Management of Foreign Service Operations; Ministry of Education: Education Transformation
Audits in Progress (6)	Port Authority of Jamaica, Factories Corporation of Jamaica, Sugar Industry Authority, Scientific Research Council (SRC), Caribbean Maritime Institute (CMI), E-Learning: Tablets in Schools Project


Productivity Measure: Outcome vs. Target
30
25
20
15
10
5
0
volume
FY2015/16
Target
25
Outcome
18

HEAD 1500: OFFICE OF THE PRIME MINISTER

CONSTITUENCY DEVELOPMENT FUND (CDF)

6.2.1 The Constituency Development Fund (CDF) was established in 2008 to provide Members of Parliament (MPs) with financial resources to execute approved social and economic programmes within their constituencies. The Constituency Development Fund Programme Management Unit (CDFPMU) in the Office of the Prime Minister (OPM) acts as a secretariat with responsibility for the management and disbursement of the Fund. The Constituency Development Parliamentary Committee (CDFPC), a Special Select Committee of the House of Representatives, is responsible for approving all projects before funds are disbursed.

6.2.2 We conducted an Activity- based Audit of the CDFPMU to determine whether the Unit implemented adequate systems to effectively monitor and evaluate projects to ensure the efficient use of resources, and that the objectives were being accomplished in an economical manner. The audit focused on projects that were executed during the period 2011/12 to 2014/15.

6.2.3 We saw an improvement in the operations of a number of areas of the CDFPMU following our recommendations emanating from our audit conducted 2010. However, there was need for improvement in some areas which the CDFPMU has committed to address.

HEAD 2600: MINISTRY OF NATIONAL SECURITY

PRIVATE SECURITIES REGULATION AUTHORITY

6.2.4 The Private Security Regulation Authority (PSRA) is a public body under the Ministry of National Security with responsibility for the regulation of the private security industry. Under the Private Security Regulation Authority Act, the Authority is responsible for the registration and licensing of private security organisations as well as the monitoring of their operations to ensure compliance with the Act. The PSRA is also empowered to suspend or cancel licences or registration cards of security organizations and individuals based on the criteria stipulated in the Act.

6.2.5 The audit of the PSRA was conducted to determine whether it was effectively regulating and monitoring the private security industry to ensure compliance with the Act.

KEY FINDINGS

Inadequate Evidence of Security Guard Training

6.2.6 We found that there was insufficient documentary evidence of training undertaken by security guards that were registered by the PSRA. Section 17(2) and (3) of the PSRA Act stipulates that no person shall be registered as a security guard unless he/she has, to the satisfaction of the Authority, successfully completed the prescribed course of training. This training should consist of a minimum of 80 hours of instruction time over a two week period covering 10 general subject areas. However, of the 80 security guard application files reviewed, only one applicant had submitted documentary evidence of training undertaken. We were advised by the PSRA that though basic training was stipulated by the Act, applicants were deemed suitable based on their responses to internal interview questions. However, the PSRA did not maintain a record of the results of individual interviews.

6.2.7 The PSRA explained that in the past there was a "*lack of an educational framework to grant the certification referenced in the Regulations*" and the guards were trained in house by private companies who did not provide evidence of certification to the guards. The Authority further advised that it has collaborated with members of the security industry, the HEART Trust NTA, and City and Guilds to establish relevant industry certifications and training opportunities for security guards. The PSRA informed us that these opportunities have been promoted to stakeholders in the private security industry and companies and guards have also been requested to "*provide certification, now that there are a number of institutions offering training and certification*".

Delayed Follow-up and Enforcement

6.2.8 The PSRA needs to improve the timeliness of its follow-up and enforcement activities in respect of non-compliant organisations and individuals especially in collaboration with the Jamaica Constabulary Force (JCF). For the financial year 2014/2015, the PSRA investigated 25 cases of illegal operations. In 10 cases, the operations were regularized before the PSRA's field visit. However, 14 organisations were found to be operating illegally while 1 organisation, though licensed, had employed 8 un-registered security guards. Of the 14 illegal organisations, only one was reported to the JCF for further action and none of the eight un-registered guards were registered up to May 2015. The Authority subsequently advised that one of the 14 illegal organisations has since been licensed and a plan of action has been developed to have the others pursue regularization or closure by December 31, 2015. We were also advised that a follow-up review will be conducted on the firm with the un-registered guards and that termination notices have since been submitted for some security guards. Additionally, the PSRA explained that steps are being taken to improve collaboration with the JCF through a review of their current Memorandum of Understanding (MOU).

HEAD 4500- MINISTRY OF YOUTH & CULTURE

NATIONAL YOUTH SERVICE

6.2.9 An audit of the National Youth Service (NYS) programmes was conducted in order to determine whether the NYS has adequate systems in place to measure the effectiveness of the youth programmes implemented. Additionally, we sought to establish the level of compliance with the applicable laws and guidelines that govern the NYS's operations, as well as the transparency and accountability over the operations to ensure that value for money was achieved.

6.2.10 The scope of the audit spanned the financial years 2011/12 to 2014/15. This involved a review of the Legislation, Board Minutes, NYS Annual Reports and interviews with management and staff to gain an understanding of the operations.

KEY FINDINGS

6.2.11 **NYS implemented Youth Programmes without sustainability plans**. The National Youth Service Draft Programme Development Process Manual, dated May 2015 states that the project framework should include a sustainability plan. The NYS implemented eight new programmes during the financial year 2014/15. However, a sustainability plan was not included in the manuals for the Graduate Work Experience Programme (GWEP) and the Access to Higher Education Programme (AHEP). The NYS policy requires the plan to include among other matters, identification of the resources that are necessary to sustain the programme, and the need to encourage the development of partnerships and support collaboration. It is a critical part of the project framework, which can help to obtain input and buy-in from stakeholders and key external decision makers, and define critical long and short-term strategies. The absence of a sustainable plan could increase the risk of programme failure.

6.2.12 The NYS indicated that they are cognizant of the importance of sustainability plans for individual programmes. However, the sustainability of the NYS programmes is greatly dependent on the extent to which the Corporate Plan and related budgets receive funding. NYS has indicated that it is aware of the budgetary constraints being faced by the Government of Jamaica, the primary source of funds, and as such NYS has embarked on forming alliances and partnerships with different groups that will contribute to the sustainability of the various programmes. The NYS also indicated that there was no current donor funding arrangements in place. This was linked to the backlog of unaudited financial statements. However, the current administration is making every effort to have up to date audited financial statements by the start of the 2016/2017 financial year.

6.2.13 **The NYS did not have an ex-post evaluation mechanism.** The NYS programme manual states that each programme implementation should have an evaluation plan as well as ex-post evaluation. The ex-post evaluation should be conducted two or more years after the programmes have been completed in order to assess its success or failure, to ascertain the sustainability of results and impact and to draw conclusions that may inform other programmes. We found that there were no ex-post evaluation mechanisms included in the programme policies to provide continuous review and monitoring of current youth development initiatives and programmes. In the absence of post evaluation we were uncertain as to how the impact of programmes would be assessed.

6.2.14 The NYS has acknowledged the importance of the monitoring and evaluation (M&E) of the NYS programmes. The NYS indicated that efforts to obtain the services of an M&E specialist in September 2015 proved futile and the NYS is currently in discussion with the Ministry of Finance and Planning on the way forward. The NYS also indicated that the absence of a robust M&E framework appears to be a systemic problem throughout the GOJ as these services are costly and within most budgets difficult to contract. The NYS suggested that the GOJ could consider establishing a shared service where there is a GOJ M&E team and GOJ agencies can access this service.

6.2.15 **No board charter to outline roles and responsibilities of the Board.** Section (5) (2f) of the NYS Act, gives the Board the power to do anything that is necessary to ensure the proper performance of its functions. This should involve the Board establishing a good governance framework to ensure effectiveness in its oversight and monitoring responsibilities over the operations. We noted that the NYS did not have a Board Charter which defines the roles and responsibilities for corporate governance and its code of ethics. This is contrary to Principle 2 of the Corporate Governance Framework for Public Bodies.

6.2.16 The NYS management team expressed their appreciation of the importance of aligning their corporate governance practices with best practices and commits to expeditiously bridging the gap that currently exists.

6.2.17 **The NYS Regional and Parish Advisory Committees were not in place as required by Section 6 and 7 of the NYS Act.** The responsibility of the Regional Advisory Committees is to advise the Board on the operations of the NYS programme; promote interest in and support for the National Youth Service programme at all levels of society; secure assistance in respect of leadership, finance, experience and any other matters for the benefit of the NYS programmes. Additionally, the Parish Advisory Committees should assist the Regional Advisory Committees in promoting competitions, displays and any other activities as may be necessary or desirable to publicize the work of the NYS programme. Further, the Parish Advisory Committees should take the necessary steps to implement projects that are approved by the Regional Advisory Committees, to enhance the objectives of the National Youth Service programme.

6.2.18 The absence of these Committees may result in the implementation of programmes that are not tailored to meet the actual needs of the various parishes and regions. In addition, this may limit the promotion of NYS programmes and its ability to target agencies and individuals that may be able to provide additional financial or other resources to the programmes.

6.2.19 NYS conceded that there are no Regional and Parish Advisory Committees in place and indicated that initiatives were undertaken to establish these Committees in 2014. NYS advised that the process was abandoned after the departure of the former Executive Director. NYS indicated its commitment to the establishment of all Parish Advisory Committees within a six month period.

RECOMMENDATIONS

1. We encourage the NYS to follow up the issue of the establishment of the Advisory Committees with the relevant authority so that this critical oversight function is instituted to ensure that the operations of all youth service programmes conform to the NYS Act.

2. The NYS should ensure that all current and prospective programmes include a sustainability plan as well as an ex-post evaluation mechanism. This would help to assess the programmes' success or failure and reduce the risk of programme failure.

3. The NYS is encouraged to adhere to Principles 2 and 12 of the Corporate Governance Framework in developing a Board Charter as well as undertaking annual independent performance evaluations of the Board members. This would help in properly outlining the roles, responsibilities and operations of the Board and determining its effectiveness in meeting its objectives.

HEAD 5100 – MINISTRY OF AGRICULTURE & FISHERIES

JAMAICA 4H CLUBS

6.2.20 The Jamaica 4-H Clubs, a statutory body under the Ministry of Agriculture and Fisheries, was established on April 1, 1940 as the youth arm of the Jamaica Agricultural Society. This entity's mandate is aimed at coordinating programmes to train and enhance youth awareness in the agricultural sector as well as other similarly linked disciplines. The Jamaica 4-H Clubs mission is: "*To mobilize, educate and train youth in leadership skills and vocations through the effective deployment of staff and volunteers utilizing adaptive technologies, to influence trainees to develop sustainable livelihoods and become positive contributors to national development*."

6.2.21 In an effort to assist the Government of Jamaica to achieve its target of significantly reducing the food import bill, the Jamaica 4-H Clubs is empowered with the task of training youths in agriculture with the aim of contributing to increased local production of several agricultural produce that are highly imported. The Vision 2030 – Agricultural Sector Plan projects significant improvements and growth in the agricultural sector. The strategic objectives of the Ministry of Agriculture and Fisheries for the 2014/15 financial year incorporate the establishment of programmes to strengthen the participation of youth and women in agriculture. As a result, it is crucial that the Jamaica 4-H Clubs aligns its focus with its parent ministry by ensuring that its offerings are precisely tailored and positioned to achieve the ultimate mandate of attracting support and personnel in the agricultural sector.

6.2.22 The audit was designed to determine whether the Jamaica 4-H Clubs has in place, among other things- a system to track the transitioning of Clubites into the agricultural sector.

KEY FINDING

6.2.23 **The Jamaica 4-H Clubs does not maintain a record of members who have transitioned through the club stages and ultimately into the agricultural sector; this hindered its ability to assess whether it is meeting its mandate**. As at March 31, 2015, of the 87,961 registered Clubites across the island; 16,060 Clubites were between the ages of 16 and 25, the age group of its members most likely to transition into the agricultural sector, specifically commercial farming and agro-processing. The Jamaica 4-H Clubs does not carry out a formal assessment of its past Clubites' contribution to Jamaica's agricultural sector. This assessment is recognized as the most important performance indicator to determine the entity's stimulation of the youth's interest in agriculture. Effective stimulation of our citizen's interest in agricultural development and production will aid the Government's efforts in achieving its target of significantly reducing the food import bill, and the demand for foreign currency. Management indicated that whilst they recognize the need for a formal tracking system, a computerized system could cost the 4H Clubs between J$10M and J$15M and this would require improved budgetary support.

HEAD 5300: MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE

FOOD STORAGE & PREVENTIONS OF INFESTATION DIVISION (FSPID)

6.2.24 The Food Storage and Preventions of Infestation Division (FSPID) is a department of the Ministry of Industry, Investment and Commerce and is mandated to carry out the Government's programmes of surveillance and regulation of the food industry to ensure the safety and wholesomeness of food/feed entering commerce.

6.2.25 During our audit we examined whether FSPID had systems in place to:

- Ensure that inspections are carried out efficiently and effectively.
- Ensure that efficient and effective systems are in place to certify entities
- Manage the disposal of spoilt or infested goods confiscated from entities that have breached the food safety requirements.

KEY FINDINGS

6.2.26 **We were advised by FSPID that budgetary constraints impacted its ability to undertake major activities such as inspection of food storage facilities and follow-up visits to facilities in the instances where infractions were identified during FSPID's inspections.** FSPID issues certificates that are valid for one year, and is required to carry out routine inspections during the course of the year to monitor whether food storage practices continue to be safe. However, we noted that entities were revisited mainly on or before the expiration of their certificates rather than throughout the year. In fact, FSPID did not meet its targeted number of inspections for the 2014/2015 period, with an underperformance of as high as 1,061 less inspection than target, in the third quarter.

6.2.27 In instances where FSPID has indentified infractions to food storage facilities such as failure to implement rodents control programmes, FSPID's inspectors are required to revisit the premises within seven days to a maximum of 21 days to verify that corrective measures were implemented. However, we noted FSPID did not revisit the facilities in specified time and instead follow-up was done between 14 and 242 days.

6.2.28 **We found that FSPID has insufficient information on the number of food storage entities in the island and this could result in inadequate coverage.** FSPID does not have a master list of all food storage entities operating island wide. Therefore we could not assess whether FSPID's inspection coverage captured a significant portion of the population of food storage entities or sufficiently addressed the high risk areas. Further, we saw no evidence of collaboration with other agencies of government which could provide information on the relevant businesses.

HEAD – 7200 MINISTRY OF LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT AND AGENCIES

MANAGEMENT OF PAROCHIAL MARKETS

6.2.29 An activity-based audit on the Management of the Parochial Markets was carried out to determine whether the Local Authorities (LAs) have systems in place to monitor market operations. We also determined whether resources were utilized efficiently and effectively in achieving market management objectives. The audit review spanned the financial years 2012/13 to 2014/15, and we focused our assessment on the operations for the Kingston and St. Andrew Corporation (KSAC) and the St. Catherine Parish Council (SCPC).

6.2.30 **KSAC and SCPC did not achieve full vendor registration and experienced combined losses of $203M in market operations for the financial years 2012/13 to 2014/15**. Both Councils did not implement a management plan for all markets under their control; this document should detail all facets of market management and strategies to improve revenue and reduce operating costs. We found that the KSAC and SCPC did not have proper systems in place for vendor registration. This may have contributed to KSAC's failure to achieve the estimated vendor capacity of 4,045 vendors in its 16 markets for the 2012/13 and 2014/15 financial periods. We noted KSAC would have yielded additional revenue estimated at $10.1 million in the 2014/15 period if full registration to capacity was achieved. In addition, the KSAC was unsuccessful in meeting its revenue targets over the period 2012/13 to 2014/15, which saw on average decline of 5.8 per cent in revenue over the period.

6.2.31 **Our review revealed that the SCPC did not carry out an analysis of its market capacity for the period under review**. Further, the ticketing system used by the SCPC for recording collections (Registration and Market Fees), did not facilitate the tracing of vendor details to the daily collection report. This deficiency may impair SCPC's ability to determine whether market fees are collected from all vendors who use the markets. KSAC's collections for the periods 2012/13 to 2014/15 from its markets amounted to $412.7M with related expenditure of $544.8M. This resulted in total operating loss of $132.1M for the Corporation's market operations. The SCPC also realized an operating loss of $70.9M in its market operations for the corresponding period. Control weaknesses over registration and market fees collection may be contributing to revenue leakage and compounding the losses being experienced.

6.2.32 **Garbage disposal services were not procured under a competitive process, neither were there valid garbage collection contracts in place for the markets managed by KSAC and SCPC.** The KSAC and the SCPC failed to procure garbage disposal services under the requisite competitive process and enter into formal contracts for the required vending locations under the portfolio of both Councils. Consequently, we were unable to determine whether the Councils received the best rates for garbage collection. We determined the costs to be approximately $5.5M and $98.5M based on the collection schedule and the rates per trip for the SCPC and KSAC markets, respectively. We estimated these costs as both Councils failed to provide a schedule of the actual payments for audit scrutiny. We also noted the previous contracts expired in June 2003 and January 2012 for the SCPC and the KSAC, respectively. With a lapse of 12 years at SCPC and 3 years for KSAC without a competitive tendering process being pursued and the non-existence of terms to protect the Councils interest, this poses serious business risks to the Councils and may be a contributing factor for the losses being experienced.

6.2.33 We also noted that garbage collections were not logged in the 'Garbage Logbook' for the Spanish Town market for the period September 2014 to September 2015. Therefore, the internal checks and balances for invoices relating to garbage disposal payments could not be performed. This breakdown in internal control could lead to overpayments or payments outside of budgeted garbage collection schedule.

RECOMMENDATIONS

1. In light of the weaknesses observed, we recommended that the KSAC and SCPC implement improved market management strategies that will translate into increased revenue collection and a reduction in market expenditure. Therefore, these strategies should improve profitability and viability of market operations.

2. Additionally, the KSAC and SCPC should without further delay put to tender all garbage collection contracts and formalize the current arrangements. A competitive process in procuring these services will ensure that the Government procurement guidelines are adhered to and value for money is received in expending public resources.

6.2.34 The Ministry of Local Government has indicated commitment to address the concerns raised by the audit.

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Section 7:

ASSURANCE AUDITS

ASSURANCE AUDITS

INTRODUCTION

7.1.1 Financial statement audits are undertaken to express an opinion indicating that reasonable assurance has been obtained that the financial statements presented by management are free from material misstatement , in all material respects, and that they are presented in accordance with the applicable financial reporting framework.

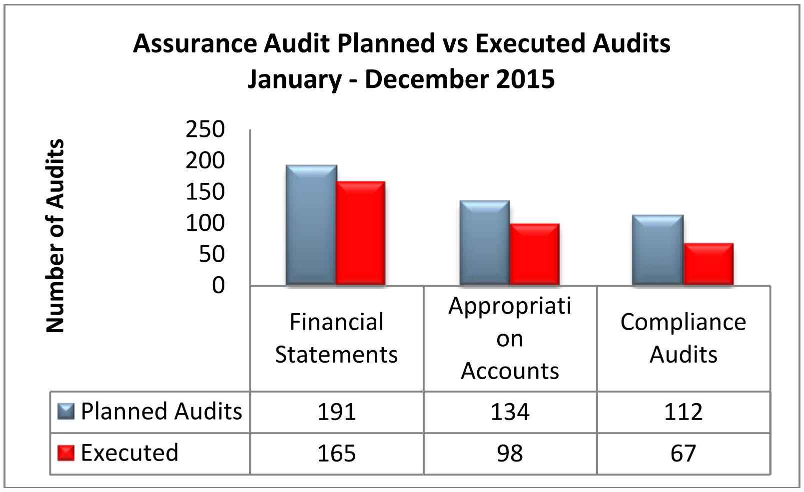
7.1.2 Compliance audits deal with the extent to which MDAs follow the rules, laws and regulations, policy, and established codes or agreed-upon terms such as the terms of a contract or the terms of funding agreements.

7.1.3 The Public Bodies Management and Accountability (PBMA) Act, requires that annual reports and audited financial statements of all Public Bodies be tabled annually in the Houses of Parliament.

7.1.4 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.

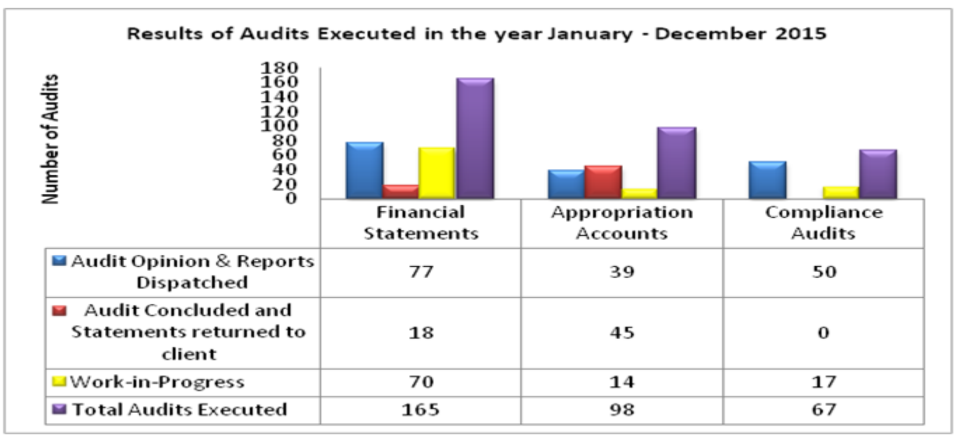
7.1.5 Seventy-five percent of all audits planned during the calendar year January to December 2015 was executed. Of this amount 116 audit certificates were issued with 50 compliance audits reports being dispatched to our clients. A total of 63 Financial Statements and Appropriation Accounts were also concluded and returned to our clients. We also had 94 Financial Statements and Appropriation Accounts as work-in-progress; it is anticipated that the majority of these statements should be certified within the first quarter of 2016. Further details of the performance of the Assurance Audit are outlined in the Charts that follow.

CHART 5: Assurance Audits Planned and Executed



	Financial Statements	Appropriation Accounts	Compliance Audits
Planned Audits	191	134	112
Executed	165	98	67

CHART 6: Results of Assurance Audits Executed



	Financial Statements	Appropriation Accounts	Compliance Audits
Audit Opinion & Reports Dispatched	77	39	50
Audit Concluded and Statements returned to client	18	45	0
Work-in-Progress	70	14	17
Total Audits Executed	165	98	67

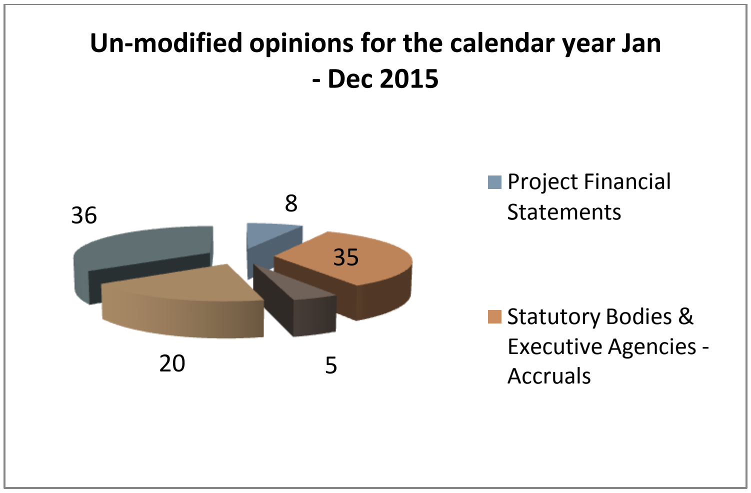
DECIDING ON THE FORM OF OPINION FOR FINANCIAL STATEMENTS AND APPROPRIATION ACCOUNTS

Unmodified Opinion

7.1.6 This opinion is expressed when the auditor concludes that the financial statements reflect a true and fair view in relation to the financial reporting framework. Compliance with the Constitution of Jamaica and the FAA Act is considered during the audit of Appropriation Accounts.

7.1.7 As shown in the Chart below, the AuGD also issued 104 unmodified audit opinions during the year 2015.

Chart 7: Unmodified Opinions Issued during the year



Modified Opinions

7.1.8 International Standards of Supreme Audit Institutions - ISSAI 1700 states that an auditor can express three types of modified opinions as outlined below:

Qualified Opinion

7.1.9 A qualified opinion is given when:

i. The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or

ii. The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Adverse Opinion

7.1.10 An adverse opinion is expressed when the auditor having received sufficient and appropriate audit evidence, concludes that the misstatements are both material and pervasive to the financial statements.

Disclaimer of Opinion

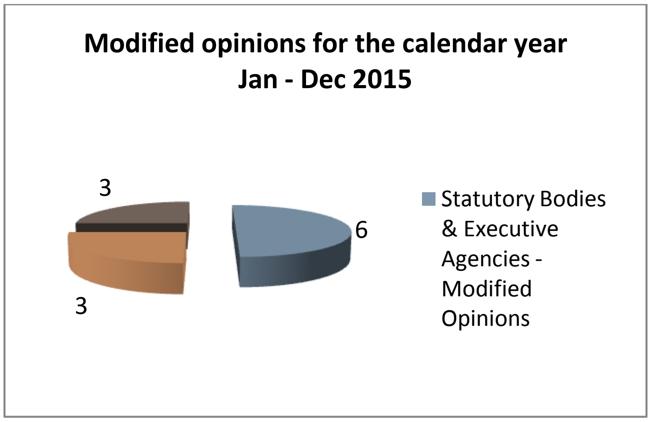
7.1.11 A disclaimer of opinion is expressed when the auditor has not received sufficient and appropriate audit evidence and the auditor concludes that the possible effects of the misstatements could be both material and pervasive to the financial statements.

Modified Opinions

7.1.12 Modified Opinions were issued for 12 audits conducted during the year as outlined in the Table below.

Table 12: Analysis of Modified Opinions

Modified Opinions	
Basis for modified Opinion	**Entity**
Lack of evidence to support valuation of Forest Plantation	Forestry Department 2011/12
Lack of Supporting documentation	Social Development Commission (2011/12 - 2013/14), Milk River Bath Hotel & SPA 2007/08 - 2009/10)
Limitation of Scope	National Youth Service 2008/09 - 2009/10
Excess on Head	Ministry of Water, Land Environment & Climate Change (2013/14), Police Department (2011/12), Jamaica Information Service (2014/15)



Excess on Head Explanation

7.1.13 Section 116 of the Constitution requires the House of Representatives' approval for expenditure in excess of the sum provided for by the Appropriation Law. Section 7.69 of the FAA Act (Instructions) stipulates that *"the actual receipts up to an amount equal to the total of the approved estimate of the Appropriations-In-Aid (original and supplementary) should be included in the column headed expenditure."*

7.1.14 This provision denotes that Ministries, Departments and Agencies are not permitted to use sums collected in excess of the approved Appropriations-In-Aid (A-I-A) amount. Amounts collected in excess of the approved A-I-A should be remitted to the Accountant General's Department as miscellaneous revenue prior to the close of these statements.

HEAD 0300 - OFFICE OF THE PUBLIC DEFENDER (OPD)

7.2.1 The audit of the financial transactions and accounting records of the Office of the Public Defender was undertaken to evaluate the effectiveness of the controls to determine whether they were adequate to ensure compliance with the regulatory framework, the accuracy and completeness of transactions recorded, and that assets are suitably safeguarded to prevent fraud and other irregularities. The weaknesses identified during the audit were communicated to the Public Defender. The OPD indicated that all recommendations proffered by the AuGD have been accepted and that the necessary corrective measures have been taken to remedy "lapses" to prevent recurrence.

HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL

7.2.2 An audit of the Appropriation Account, financial transactions, accounting and other operational records of the Office of the Contractor General revealed a generally satisfactory state of affairs. The few weaknesses identified were subsequently corrected.

HEAD 0700: OFFICE OF THE CHILDREN'S ADVOCATE

7.2.3 The audit of the financial transactions and accounting records of the Office of the Children's Advocate revealed a general satisfactory state of affairs. However, improvement is needed in respect of timeliness in the reconciliation of a bank account and maintenance of inventory records.

HEAD 1500: OFFICE OF THE PRIME MINISTER

7.2.4 An audit of the financial transactions and accounting records of the Office of the Prime Minister focused on determining whether the internal controls were adequate to ensure that all transactions were accurately and completely processed; documentation exists to support transactions; and assets are suitably safeguarded to prevent fraud and other irregularities. The areas of focus were emoluments, miscellaneous revenue, fixed assets, expenditure, procurement, journal vouchers and advances.

7.2.5 We found a generally satisfactory state of affairs except for advances totalling $1,987,947.52 that were outstanding for protracted periods and four advance accounts with credit balances totalling $222,646.06. The OPM has since taken steps to clear the balances which now stand at $345,580.53. We urge the OPM to ensure that all advances are cleared in a timely manner and credit balances investigated and cleared.

HEAD 1510 - JAMAICA INFORMATION SERVICE (JIS)

7.2.6 We audited the accounting records and financial transactions of the Jamaica Information Service. The audit revealed a generally satisfactory state of affairs. No internal control weaknesses were identified during the examination and immaterial errors/omissions observed were promptly addressed.

HEAD 1600: OFFICE OF THE CABINET

7.2.7 The audit of the Office of the Cabinet revealed a generally satisfactory state of affairs. The few weaknesses identified were subsequently addressed by management.

HEAD 1700: MINISTRY OF TOURISM AND ENTERTAINMENT

7.2.8 The audit of the financial transactions, accounting and other operational records of the Ministry of Tourism and Entertainment (MTE) was conducted primarily to express an opinion on the Appropriation Account. This entailed evaluating the internal controls to determine whether they were operating as intended.

7.2.9 We found that the controls established by the MTE were generally satisfactory. However, there was need to strengthen the controls over payments and the management of assets to avoid duplication of payments and misappropriations.

HEAD 2000 - MINISTRY OF FINANCE AND PLANNING

DEVELOPMENT BANK OF JAMAICA – CAPITAL DEVELOPMENT FUND

7.2.10 The Capital Development Fund (CDF) was established under the Bauxite Production Levy Act to hold the proceeds of bauxite production levy, and all other income from the assets of the Fund. In accordance with Section 12 (3) of the Act, an audit of the accounting records and financial transactions of the Fund was undertaken to evaluate the effectiveness of the administrative and accounting controls relating to specific activities of the Fund.

7.2.11 The audit reflected a generally satisfactory state of affairs. However, we observed weaknesses in some areas.

Absence of a Formal Management Agreement

7.2.12 The Development Bank of Jamaica (DBJ) is responsible for the management of the Capital Development Fund. The accounts presented for financial year ended March 31, 2014 showed $6.0 million payable for management fees to the DBJ for the financial years 2002/2003 to 2013/2014.

7.2.13 There is no formal agreement between the DBJ and the CDF relating to the management of the Fund. However, management presented a letter dated November 18, 1993 signed by the then Chairperson of the Managing Committee of the Fund requesting the NIBJ to perform services pursuant to the Bauxite (Production Levy) (Capital Development Fund) Regulations 1974. The letter also included reference to management fees of $500,000.00 per annum subject to review. In the absence of a formal agreement, there could be misunderstanding as to the roles and responsibilities of the parties, how conflicts should be resolved and the terms of payment.

Inadequate Control over Bauxite Levy Receivables

7.2.14 For the period under review, changes were made to the procedures for the collection of bauxite levy. This includes waivers from the Ministry of Finance and Planning, and the payment of Income Tax stipulated in Section 12 of the Bauxite and Alumina (Special Provisions) Act. In light of the foregoing, DBJ is expected to institute adequate mechanisms to ensure the accuracy and completeness of the financial information. DBJ does not have proper systems in place to determine the accuracy of levy receivable from the bauxite companies. Therefore, we found it difficult to obtain the relevant evidence to support the receivables balance disclosed in the general ledger.

RECOMMENDATIONS

1. The DBJ was advised to formalize a management contract that will detail the terms and conditions for the management of the Fund. Additionally, DBJ as managers of the Fund should put measures in place to obtain pertinent information that will facilitate accurate and complete financial reporting for the Fund.

2. The DBJ subsequently indicated that they are in dialogue with the Jamaica Bauxite Institute to provide information relating to the bauxite levy collections on a monthly, rather than on annual basis.

BETTING GAMING AND LOTTERIES COMMISSION (BGLC)

7.2.15 The Betting, Gaming and Lotteries Commission (BGLC) is an independent statutory body established under the provisions of the Betting, Gaming and Lotteries Act. The general objectives of the Commission is to regulate and monitor the local Gaming Industry; grant permits, licenses and approvals to persons or entities considered fit and proper to conduct betting, gaming and lottery activities; conduct investigations, studies and surveys for the purpose of obtaining information for use in the exercise of its functions.

7.2.16 The objective of the audit was to determine whether the operations of the BGLC were in general compliance with the Betting Gaming and Lotteries Act, Public Bodies Management and Accountability Act (PBMA), Financial Administration and Audit (FAA) Act, and other Government guidelines and best practices.

KEY FINDINGS

7.1.17 **Weaknesses in the oversight and operations of the Enforcement Unit could lead to irregularities.** The Board of Commissioners did not approve the draft Operating Procedures Manual that would guide the functioning of the Enforcement Unit. We also found that the Commission failed to implement adequate controls over the cash seized and court exhibits, which resulted in these items being compromised on at least three occasions and unaccounted for funds totalling $44,167. There was also no evidence that the cash seized from illegal gaming operators were verified in the presence of the operators, and the evidence bags specifically purchased to secure the cash were not being used. BGLC has since advised that a consultant has been engaged to review the Operating Procedures Manual for approval and the transparent evidence bags are now being used.

7.2.18 **The audit noted that there was inadequate management controls over the warehouses that store seized gaming machines.** The BGLC did not have records of the number of seized gaming machines, and the movement of seized machines in and out of the warehouses. Further, in some instances, the keys to the warehouses were not returned to the custodian for up to 14 days. BGLC advised us that subsequent to the audit, steps were taken to strengthen the management of warehouse.

Additionally, BGLC advised that an inventory register will be implemented to record all machines in storage and those released. The BGLC has also been stockpiling unclaimed gaming machines which resulted in them incurring annual rental cost of J$4.9M and maintenance costs totalling J$440,400 and US$74,700 for four warehouse facilities.

7.2.19 **The Commission also breached the Financial Management Regulations when it failed to implement adequate controls over the Imprest System operated in the Enforcement Unit**. Our examination of the Imprest System for the months of February and March 2015 revealed that the vouchers on which reimbursements are claimed by Enforcement Officers were written by the Custodian of the Imprest. No original invoices were presented to support the reimbursement made to the officers. Failure to implement specific guidelines and adequate controls may result in the Commission's inability to account for items in their custody and the movement of such and irregularities may also go undetected. BGLC has since advised us that they are in the process of developing a policy to improve the management of the Imprest account.

RECOMMENDATIONS

1. **BGLC along with its oversight Ministry should consider a comprehensive review of the operations of the Enforcement Unit.** There should be timely approval and implementation of the Operations Manual and consideration be given to the restructuring of the Unit to improve accountability and transparency.

2. **It is an immediate requirement of the BGLC to regularize its processes in alignment with the various guidelines and Acts.** The BGIC should also ensure that stringent internal controls are implemented to prevent further breaches.

STUDENTS' LOAN BUREAU (SLB)

7.2.20 An audit of the financial transactions, accounting and other operational records of the Students' Loan Bureau (SLB) was conducted to determine the level of compliance with relevant regulations, circulars and other Government of Jamaica financial guidelines. The audit revealed weaknesses in the controls and operations over loan processing, emoluments, bank reconciliations, inventory, Information Technology and audit committee function.

7.2.21 The audit revealed the guarantors may not be fully aware of the total amount of loan they are committed to as the SLB did not inform the guarantors of the amounts student borrowed in subsequent academic years. The SLB has since adjusted the Record Update Form to reflect the annual tuition cost which Guarantors will be asked to agree to prior to disbursement, along with the total tuition disbursed per academic year and the applicable interest rate(s). There was also evidence that it took between 783 and 1429 days for delinquent accounts to be transferred to the Legal Department instead of the stipulated 365 days.

7.2.22 The audit further revealed that the SLB acted in breach of the Public Management and Accountability (PBMA) Act and the Ministry of Finance and Planning (MoFP) guidelines by paying managers above their approved salary scale level. This resulted in overpayment of $4.3M for the period 2013-2015. The SLB did not seek approval from the Ministry of Finance and Planning (MoFP) until October 2015 subsequent to the matter being raised by the AuGD. The MoFP thereafter retroactively recommended that the salaries be red circled to the incumbents. The SLB also breached the MoFP circular by paying officers travelling allowance without the submission of a travel claim and supporting documents.

7.2.23 The audit also found that the bank reconciliation statements for four bank accounts were up to 16 months in arrears in some instances. We found un-reconciled balances from as far back as February 2008. At June 2015, un-reconciled balances totalled $124.48M. Additionally, the Audit Committee which has responsibility to monitor SLB's internal control structure was non-functional.

7.2.24 Our review of the Management Information Systems revealed the SLB did not complete for implementation an approved Disaster Recovery Plan (DRP) to ensure the continuous provision of information system and to minimize the disruptions to the Bureau's operations in the event of a disaster. Additionally, the SLB has not identified an alternate site to host recovery activities in the event of a disaster, the members of its Emergency Response Team (ERT) or the external contacts for the provision of additional hardware, software or communication equipment. We further note that SLB was not consistently transferring the backup tapes to the offsite location.

7.2.25 We noted that SLB accepted the findings and have taken steps to correct the weaknesses identified. The SLB was further urged to implement proper systems of internal controls to prevent future breaches.

HEAD 2600: MINISTRY OF NATIONAL SECURITY AND AGENCIES

THE PRIVATE SECURITY REGULATION AUTHORITY

7.2.26 The Private Security Regulation Authority (PSRA) is a Statutory Body under the Ministry of National Security mandated to monitor and regulate the operations of organizations and individuals within the Private Security Industry. PSRA is charged with the responsibility to monitor and regulate the operations of:

1. Contract Security Organizations
2. Proprietary Security Organizations
3. Private Security Guards
4. Private Investigators
5. Security Trainers

7.2.27 The audit of the financial transactions, accountancy records and financial statements of the PSRA revealed a generally satisfactory state of affairs.

HEAD 2800: MINISTRY OF JUSTICE

HEAD 2825: DIRECTOR OF PUBLIC PROSECUTIONS

7.2.28 The audit of the accounting records and financial transactions relating to the Office of the Director of Public Prosecutions (DPP) revealed a generally satisfactory state of affairs.

HEAD 2830- ADMINISTRATOR GENERAL'S DEPARTMENT (AGD)

7.2.29 The accounting transactions and financial records of the Administrator General's Department (AGD) as well as the systems of internal controls were examined and found to be generally satisfactory, with the exception that the Agency did not conduct reconciliations of the fixed asset register with the general ledger. The Agency's failure to reconcile the records resulted in differences in the asset categories totalling $682,877.

HEAD 2831: ATTORNEY GENERAL'S DEPARTMENT

7.2.30 The audit of the of the Attorney General's Department (AGD) revealed that the responsible officer failed to deduct the four percent pension from the salary of a senior officer as required by the Pensions (Civil Service Family Benefits) Act. The total amount owed for the period August 2012 to February 2015 was $550,390.84. Management was advised to take the necessary steps to recover the outstanding pension contributions and ensure that going forward, the requisite contributions are deducted in accordance with the Pensions (Civil Service Family Benefits) Act. We also recommended that steps be taken to strengthen the controls over fixed assets and expenditure.

HEAD 2833: OFFICE OF THE PARLIAMENTARY COUNSEL

7.2.31 The audit of the Appropriation Accounts, financial transactions, accounting and related records of the Office of the Parliamentary Counsel (OPC) revealed that contrary to the Ministry of Finance's guidelines, an amount of $800,000.00 was advanced from a Deposit Account in 2009 to fund recurrent expenditure. However, up to the time of this report, only half the amount was repaid to the Deposit Account. The Ministry of Justice (MOJ) has since advised that the balance will be returned by December 31, 2015. Additionally, the MOJ, which has responsibility for the OPC's accounting functions, did not present three payment vouchers representing expenditure amounting to $31,088.84 for audit examination. We were therefore unable to verify whether the vouchers related to valid payments.

HEAD 2852: LEGAL REFORM DEPARTMENT

7.2.32 The audit of the Appropriation Account, financial transactions, accounting and related records of the Legal Reform Department (LRD) revealed a generally satisfactory state of affairs. However, the Ministry of Justice, which has responsibility for the LRD's accounting functions, should strengthen its system of internal checks over the payment of emoluments relating to the LRD.

HEAD 3000- MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE (MOFAFT)

MISSIONS

7.2.33 The audit of the financial transactions of the Missions in New York, PRUN-New York and Miami revealed that the accounting records were generally maintained in a satisfactory manner. However, we noted a few discrepancies.

NEW YORK – Consulates

7.2.34 The Mission did not take the appropriate steps to recover advances amounting to US$14,771.40 in a timely manner, despite being the subject of prior audits reports**.** We observed in one instance that the Ministry sought and obtained the opinion of the Attorney General concerning the collection of US$7,975.39 that has been outstanding for more than six years. However, there is no evidence that any further action was taken to resolve the matter. In addition, we noted that the Missions' deposit account reflected debit balances totalling US$9,554.96 that have not been recouped for protracted period.

PRUN – NEW YORK

7.2.35 Although we previously reported on this matter, advances amounting to US$9,496.16 remained outstanding on the Mission's books from as far back as 1988. The Mission did not provide any evidence to support the necessary actions that will be taken to recover these amounts.

MIAMI

7.2.36 The Mission still has on the books outstanding advances amounting to US$7,167.94 from as far back as 1992. Failure to ensure advances are cleared on a timely basis breached the accountancy procedures, as well as resulted in expenditure being understated for the related financial years. Additionally, the amounts outstanding for over six years may become uncollectible under the Limitations Act.

7.2.37 There was no improvement in the controls over the management of Deposits since our last audit report dated December 21, 2006. We were unable to ascertain the composition of the balances which totalled US$138,613.71 in the Deposit Control Account, as a subsidiary ledger was not being maintained. Consequently, this limited our ability to conduct the relevant audit tests on the accuracy and completeness of the balances in the control accounts. Additionally, we were unable to determine the sums outstanding, which exceeded six years that should be remitted to the Accountant General in keeping with the FAA Act, Regulations. This deficiency contravenes the established accountancy procedure.

RECOMMENDATION

The Missions and the Ministry should re-double efforts to clear the long outstanding advances. With respect to the deposit accounts, the Missions' Accountants as well as the Head of the Mission Accounts Unit at Headquarters, should investigate the discrepancies and take the necessary steps to restore the integrity of the accounts. In addition, all sums held for more than six years on deposits should be remitted to the Accountant General to comply with the Ministry of Finance guidelines.

HEAD 4000- MINISTRY OF LABOUR AND SOCIAL SECURITY (MLSS)

7.2.38 An audit of the financial transactions and accounting records of the Ministry of Labour and Social Security (MLSS) revealed discrepancies, which were brought to the Ministry's attention. The MLSS was advised to implement stringent internal controls in the accounting process that should include a robust system of reconciliation, review and monitoring. MLSS was also advised to ensure that there is strict adherence to the GOJ guidelines.

PATH – INTEGRATED SOCIAL PROTECTION AND LABOUR PROGRAMME (ISPL) - GOJ/IDB LOAN NO. 2889/OC-JA

7.2.39 The Integrated Social Protection and Labour Programme (ISPL) is a supplement to the Social Protection Project (SPP) and the Social Protection Support to the Food Price Crisis (SPSFPC) that falls under the Programme of Advancement Through Health and Education (PATH).

7.2.40 An audit of the financial and other operations of the Project was conducted during the period April to June 2015 in keeping with the agreement. We evaluated the controls to ascertain whether they were adequate and operating as intended; inspected the records to determine whether they were accurately updated and agreed with the financial statement; and inspected the assets to confirm their existence and that were suitably safeguarded. The audit disclosed a generally satisfactory state of affairs; except for the weaknesses outlined below.

7.2.41 At the time of the audit on June 26, 2015, the reconciliation of the Special and Administration bank accounts were last completed for January and February 2015, respectively. This shortcoming could hinder the detection of errors and irregularities in a timely manner.

7.2.42 In April 2014, one hundred and forty three (143) computers valuing $14M were procured. However, our inspection revealed that 39 computers valuing $3.89M were still in storage, approximately one year after the purchase.

7.2.43 The responsible officers did not always ensure that invoices were cancelled to prevent re-use. We found that seven invoices for fixed assets totalling $6,890,499.85 were not cancelled with the “PAID” stamp (not stamped paid). Additionally, there were three (3) instances where payment vouchers were not dated.

RECOMMENDATION

Management was advised to ensure that proper internal controls activities are implemented and monitored to correct the weaknesses identified and ensure compliance with standard accounting procedures.

PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION – SOCIAL PROTECTION PROJECT – GOJ/IBRD LOAN AGREEMENT 7555 JM

7.2.44 The objective of the Social Protection Project (SPP) is to enable the Government of Jamaica (GOJ) to build a social programme to assist those individuals and families that fall below the poverty line to cope with their current living conditions, elevate themselves and eventually become independent. The Project came to an end in March 2015.

7.2.45 During the year, the Project focus was on administrative close-out activities. Our audit focused on evaluating the effectiveness of the controls to ensure that the financial reporting requirements are met, funds were used for the intended purposes and project rap up procedures were adhered to.

7.2.46 The examination of the financial transactions and accounting records of the Programme for the financial year ended March 31, 2015 revealed the following:

KEY FINDINGS

7.2.47 The March 31, SPP World Bank Administration Bank Account was not yet closed because of several outstanding reconciling items including erroneous debits totalling $128,323.42JMD.

7.2.48 There were uncleared advances from as far back as 2011, in SPP World Bank and Government of Jamaica general ledgers totalling $20,603,845.02JMD/ $215,122.23USD and $20,972,849.67JMD/ $218,825.63USD respectively, although the project is to be closed-out. Expenditure would be significantly understated if the advances are not appropriately cleared.

RECOMMENDATION

Management was advised to take the necessary actions to correct all the discrepancies highlighted.

PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION – JAMAICA SOCIAL AND ECONOMIC INCLUSION OF PERSONS WITH DISABILITIES PROJECT GRANT NO. TF 014258

7.2.49 The Jamaica Social and Economic Inclusion of Persons with Disabilities (JSEIPD) Project is funded by the World Bank (IBRD). The grant of US$2,897,690 should be disbursed by the World Bank over a three year period from April 1, 2013, when the agreement was signed, to June 30, 2016.

7.2.50 The objective of the Project is to assist the Government of Jamaica (GOJ) to increase the employability and skills development of poor persons with disabilities, and improve the service delivery of special education needs to poor children with disabilities.

7.2.51 An audit of the financial and other operations of the Project was conducted during the period April to June 2015 in keeping with the agreement. We evaluated the controls to ascertain whether they were adequate and operating as intended, inspected the records to determine whether they were accurately updated and agreed with the financial statements, and inspected the assets to confirm their existence and that they were suitably safeguarded.

7.2.52 The examination of the financial transactions and accounting records of the Programme for the financial year ended March 31, 2015 revealed a generally satisfactory state of affairs. Management has since taken steps to address the issues identified during the audit.

PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION – SOCIAL PROTECTION PROJECT 2 - GOJ/IBRD LOAN AGREEMENT 8329-JM

7.2.53 The Social Protection Project (SPP) 2 is a follow-up to the Social Protection Project (SPP) which ended in March 2015. The project is jointly funded by the Government of Jamaica (GOJ) and the World Bank (IBRD). The loan of US$40M should be issued by the World Bank over a four-year period from March 12, 2014, when the agreement was signed, to March 30, 2018.

7.2.54 The objective of the Project is to enable the GOJ to strengthen its social programme to assist those individuals and families that fall below the poverty line to cope with their current living conditions, to elevate themselves and eventually graduate from PATH.

7.2.55 The examination of the financial transactions and accounting records of the programme for the financial year ended March 31, 2015 revealed a generally satisfactory state of affairs. However, the financial statements for the SPP2 were not finalized in time to meet the deadline of September 30, 2015 as required by Section 2 B (3) of the project agreement.

7.2.56 Management agreed to take the necessary actions to ensure that statements are prepared and audited in time to meet the agreed deadlines.

CANADIAN FARM WORK PROGRAMME

7.2.57 The audit of the Jamaica Liaison Service (JLS) accounting records and financial transactions was undertaken to express an opinion on whether the financial statements were prepared in keeping with the financial reporting framework and to assess the effectiveness of internal controls implemented by management over the operations of the JLS.

KEY FINDINGS

Reimbursement for purchase made by a foreign company on behalf of the Ministry

7.2.58 The Jamaica Liaison Services made reimbursement of CD$12,708 to a foreign company for expenses associated with the procurement of fixed assets and stationery on behalf of the Ministry of Labour and Social Security (MLSS). However, management did not present the authority that allows a foreign company and non-employee of the Government of Jamaica to conduct transactions outside of the Procurement Guidelines and the scrutiny of proper oversight. We noted that the Permanent Secretary gave approval for the reimbursement. However, we saw no evidence in the Board minutes that this unusual transaction was discussed at the Management Committee level.

7.2.59 MLSS in its response indicated that the former Accounting Officer requested the assistance of the foreign company "to reorganize the aspects of the worker preparation processes at the Overseas Employment Centre (OEC).'' However, MLSS did not present evidence of any formal request authorizing the foreign company to make purchases on behalf of the GOJ. Nonetheless, these transactions by-passed the GOJ commitment and procurement process, which require justification, competitive tendering where appropriate, certification and approval before payment.

7.2.60 We advised management to accelerate the stated review of the JLS and the Management Committee and establish a Board's Charter, which clearly defines roles and responsibilities of the Management Committee, the Permanent Secretary and Chief Liaison Officer.

Office Space Leased – Sheppard Avenue

7.2.61 We could not determine the basis on which the JLS agreed to forego rental income of CD$92,394 over a 5-year period, when it accepted an offer for a lesser amount from the tenant.

7.2.62 The JLS did not provide documentation or an explanation on how this decision was taken. Further, we saw no evidence in the Board minutes that the Management Committee discussed and approved to the terms of the lease agreement.

7.2.63 MLSS in its response (November 26, 2015) indicated that "the basis of acceptance of the terms of the lease cannot be ascertained at this time." Management also indicated that steps will be taken to ensure that in future, the rental of building, rates and terms are approved by the Management Committee.

Overpayment of Gratuity

7.2.64 The JLS did not present formal authority for paying gratuity for a full year to an officer who services was terminated within nine months of completing the contract. To compound the issue the Officer was paid gratuity at a rate of 25% instead of the MoFP approved rate of 12.5% for persons engaged on contract/gratuity terms in Jamaican Agencies/Offices overseas. We saw no evidence in the Board minutes that this matter was discussed and approved by the Management Committee. We advised JLS to review all existing contracts for the payment of gratuity to ensure adherence to the MoFP guidelines and recover the overpayment of gratuity from the former contract officer, as failure to do so will result in possible surcharge action being instituted against the responsible officer(s).

HEAD 4100 MINISTRY OF EDUCATION (MOE)

EARLY CHILDHOOD COMMISSION & EARLY CHILDHOOD DEVELOPMENT PROJECT

7.2.65 An audit of the accounting records and financial transactions of the Early Childhood Commission and the Early Childhood Development Project reflected a generally satisfactory state of affairs. However, the following weakness was noted:

Overpayments to Early Childhood Practitioners

7.2.66 The Commission continued subsidy payments to early childhood practitioners who had separated from various early childhood institutions. This resulted in overpayments totalling $21,663,190.95, of which $10,360,229.87 occurred in the current period 2014/2015. Some overpayments were from as far back as 2010. The Commission recovered $4,262,791.01 of the overpayments, between April and October 2015, and advised that steps are being taken to address weaknesses in the system.

EDUCATION SYSTEM TRANSFORMATION PROGRAMME (ESTP)
GOJ LOAN AGREEMENT NO. 2301 JM

7.2.67 The ESTP receives funding for selected areas of the Project through loan support from ***the Inter-American Development Bank (IDB).*** The IDB provides support for the following activities aligned with initiatives under the policy-based component: (i) construction of one school, expansion of about two (2) secondary schools, and provision of furniture and equipment for the schools; (ii) expansion of IT systems within MOE; (iii) development of curriculum and materials for literacy and numeracy programmes; (iv) development of national assessments; (v) development of a national curriculum for Grades 1 to 9; (vi) support for special education initiatives; (vii) support for teacher quality assurance study to improve teacher training programmes; and (viii) staff support for the Programme.

7.2.68 The aim of the ESTP is to ensure greater accountability at all levels of the sector for the quality delivery of education; and includes an all embracing set of actions designed to result in the desired standard of performance of the sector. The Project was reformulated to include changes to the Infrastructure Component and inclusion of the Curriculum teaching and learning support, which includes improvements in teacher quality.

7.2.69 We found that the accounting records were generally maintained in a satisfactory manner. However, the following discrepancies were identified.

Construction of the Cedar Grove High School

7.2.70 **The Ministry of Education's (MOE) failure to faithfully monitor the construction of the Cedar Grove High School contributed to cost and time overruns, which amounted to $135.62M and 372 days respectively.** The MOE awarded a contract in the sum of $660M for the construction of the Cedar Grove High School on May 21, 2012. The MOE did not achieve the stated contract duration period of 18 months; instead the construction which was slated to be completed on November 21, 2013 was not completed until November 28, 2014, resulting in time over run of 372 days (12 months).

7.2.71 We were only provided with evidence that the Project Manager approved extension of time up to 221 days (7 months). This delay contributed to fluctuations in labour and material costs, which amounted to $109.75 million. In addition, we noted that the Project Manager was tardy in granting approval for time extension, as in one instance, approval for extension was granted six months after the request was made. This was not in keeping with the contract agreement, which stipulates that the Project Manager should decide within 21 days of request whether to extend the contract.

RECOMMENDATION

Management should ensure that prior written approval is granted for time extension, variation orders and stop orders in accordance with the Procurement guidelines and the Contract Agreement.

HEAD 4200 – MINISTRY OF HEALTH (MOH)

NATIONAL COUNCIL ON DRUG ABUSE

7.2.72 The audit of the accounting records and financial transactions of the National Council on Drug Abuse was undertaken to evaluate the effectiveness of the administrative and accounting controls.

KEY FINDINGS

Bank reconciliations were in arrears

7.2.73 The Council failed to prepare bank reconciliation statements on a timely basis. The reconciliation has been in arrears from as far back as March 2013. Failure to perform bank reconciliations on a timely basis hinders the Council's ability to detect errors and other fraudulent activities.

7.2.74 The Council subsequently advised that it is currently bringing all bank reconciliation statements up to date. It is anticipated that the process will be completed by the first quarter of the financial year 2016/2017.

Advances on Gratuity

7.2.75 The Council continued to make advances on Gratuity although this concern was reported in previous audit reports and management was advised to desist from this practice. During the period under review, advances on gratuity, which totalled $745,000.00, was paid to three employees prior to their performance evaluation. This practice is a breach of the Ministry of Finance Circular No 15, dated May 8, 2012.

7.2.76 The Council subsequently advised that it will adhere to the requirements of the Circular to ensure that the payment of gratuity will only be done on the successful completion of contract periods.

PESTICIDE CONTROL AUTHORITY

7.2.77 The Pest Control Authority (PCA) is mandated to manage, regulate, and control pesticide usage in Jamaica. An audit was undertaken to express an opinion as to whether the accounts of the PCA were prepared in keeping with the financial reporting framework; complied with relevant regulations; circulars and other Government of Jamaica financial guidelines. We found that the controls established by the Authority were generally satisfactory with the exception of a few weaknesses in the controls governing the recording and maintenance of fixed assets, receivables and compensation. The weaknesses have since been addressed by management.

HEAD 4234 - BELLEVUE HOSPITAL

7.2.78 The audit of the financial transactions and accounting records of the Bellevue Hospital was conducted to determine whether adequate controls are in place to ensure compliance with the regulatory framework; the accuracy and completeness of transactions recorded; and that assets are suitably safeguarded to prevent fraud and other irregularities.

KEY FINDINGS

Approval for Travelling Allowances were not presented

7.2.79 The specific approval of the Ministry of Finance for the attachment of travelling allowances to 9 posts was not presented for audit. Two (2) employees were paid motor vehicle allowances on expired documents. This breached the Ministry of Finance's guidelines on the payment of travelling allowances and could result in the incumbents being paid incorrectly. Additionally, the responsible officer(s) could be held liable for surcharge.

7.2.80 The Bellevue Hospital was advised that prior approval from the Ministry of Finance should have been obtained for the travelling allowance to be attached to the posts.

Inadequate Control over Bank Accounts

7.2.81 The 'salaries' bank account was reconciled only up to March 2008. In addition, the list of un-presented cheques for the Recurrent Bank Account at March 31, 2014, included nine (9) stale-dated cheques totalling $423,148.21 thereby understating the bank balance. Failure to complete the reconciliation on a monthly basis breached the Financial Instructions and could facilitate fraud and other irregularities remaining undetected for extended periods.

7.2.82 Bellevue was advised to implement a robust system of control over the management of bank accounts. The assistance of the Ministry of Finance should be sought to address the chronic arrears in the Salaries Bank Account reconciliations.

Breaches of Payment Procedures

7.2.83 During the period under review, we were not presented with the contracts to support the payment for security and catering services costing $699,240.66 and $20,618,939.58, respectively. The absence of a formal contract breaches Government's Procurement Guidelines and could present misunderstandings. This also places the Hospital at risk without legal grounds for recourse, in the event of non-performance or non-compliance by the contractors.

7.2.84 We recommended that the two contracts be presented for our review.

Breach of Procurement Procedures

7.2.85 Two (2) dental equipment costing $892,000.00 were purchased separately from the same supplier on the same date giving the appearance of fragmentation to avoid the limited tender method of procuring the items, in keeping with the Government Procurement Guidelines.

7.2.86 Strict compliance with Government's Procurement Guidelines was recommended.

HEAD 4500: MINISTRY OF YOUTH AND CULTURE

NATIONAL LIBRARY OF JAMAICA

7.2.87 The audit of the accounting records and financial transactions of the National Library of Jamaica highlighted concerns with the accounting and financial reporting processes. The key findings were communicated to Management for the necessary corrective actions to be taken.

HEAD 5100 – MINISTRY OF AGRICULTURE & FISHERIES (MAF)

FISHERIES MANAGEMENT AND DEVELOPMENT FUND (FMDF)

7.2.88 The audit of the accounting records and financial transactions of the FMDF was conducted in accordance with Section 10 (4) of the Conch (Export Levy) Our audit revealed the following:

Failure to implement Operating Procedures

7.2.89 The Act requires the Board to regulate its own procedures. However, the Board of Directors is operating without any formal governance policies and operating procedures for the administration of the Fund. This could result in inconsistencies in the management of the Fund.

7.2.90 We were subsequently advised by FMDF that a draft Operations Policy was developed and will be discussed by the Board.

AGRICULTURAL COMPETITIVENESS PROGRAMME GOJ/IDB LOAN NO. 2444/OC-JA

7.2.91 The audit of the financial transactions and accounting records of the Agricultural Competitiveness Programme was undertaken to evaluate the effectiveness of the administrative and accounting controls to determine whether adequate systems, policies and procedures were in place in relation to specific activities of the Programme.

7.2.92 There was general compliance with the contractual clauses outlined in the loan document and the Project has experienced improvements in the achievement of targets. However, we noted a number of weaknesses.

7.2.93 Consultancy contracts stipulated the maximum amount payable to consultants and the related monthly installments. However, we identified inconsistencies in the wording of three contracts which resulted in two officers being paid a total of $288,095.24 in excess of the payment ceiling.

7.2.94 We noted improvements in the achievement of Project targets during the period under review as the following activities were completed and major tasks achieved:

- The engagement of a Programme Coordinator and Site Engineers for monitoring the development of agro parks.
- The purchase of equipment to facilitate the identification and security of animals under the Animal Health Component - Animal Traceability.
- The substantial completion of three of the four agro parks (New Forest, Spring Plain & Yallahs) and operational demonstration plots established.

7.2.95 The fourth agro park which is located in Hill Run, St. Catherine was not completed. No civil works contract had been awarded up to the time of completion of the audit. Additionally, the Component 1 objective: to enable farmers to access international markets was still in the preliminary/research stage, although access to local markets had improved.

7.2.96 At the end of March 2015, approximately US$8.96 M of the total loan funds remained unspent. Based on the re-scoping exercise and other outstanding works; an extension of the Project period will be required in order to facilitate the achievement of all targets.

7.2.97 Management advised that the requisite approval for an extension would be sought from the IDB.

HEAD 5300: MINISTRY OF INDUSTRY, INVESTMENT & COMMERCE (MIIC)

7.2.98 The audit of the accounting records and financial transactions of the MIIC revealed a generally satisfactory state of affairs. However, we found that four officers were overpaid travelling allowance totalling $484,777.11 because they were erroneously paid at the upkeep rate instead of the approved commuted rate attached to the post. Failure to recover the amount could result in the negligent officers being recommended for surcharge in accordance with Section 20 (1b) of the FAA Act.

JAMAICA INTELLECTUAL PROPERTIES OFFICE (JIPO)

7.2.99 JIPO is responsible for administrating intellectual property right systems including copyright and related rights, trademarks, patents, and topographies. An audit of the financial transactions and accounting records was conducted and the following weaknesses identified.

7.2.100 JIPO had not submitted its annual reports for four financial years 2009/10 to 2012/13, even though the related financial statements have been certified.

7.2.101 The audit also revealed that JIPO failed to deduct the relevant statutory deductions of $43,750.00 from directors' fees.

7.2.102 Additionally, we found no evidence that travelling allowance for seven posts was approved by the Ministry of Finance and Planning which resulted in improper payments totalling $2.7 million for the period April 2013 to March 2014. We further noted that an officer was paid two increments above the maximum of the level 7 salary scale since June 1, 2011 totalling $366,398.01 without evidence of the required performance appraisal to attest to the officer's satisfactory performance.

RECOMMENDATION

Management should strengthen the systems of internal controls to ensure compliance with the government accountancy guidelines for the processing of salary and allowances.

ANTI-DUMPING & SUBSIDIES COMMISSION (ADSC)

7.2.103 The audit of the accounting records and financial transactions of the Anti-Dumping and Subsidies Commission revealed a generally satisfactory state of affairs. However, the Commission needs to strengthen its system of internal checks over the preparation of its bank reconciliation statements and the calculation of emoluments.

HEAD 5600: MINISTRY OF SCIENCE, TECHNOLOGY, ENERGY AND MINING

7.2.104 The audit of the Appropriation Accounts, financial transactions and other operational records of MSTEM revealed weaknesses in the controls over invoices, procurement and inventory. Management has since taken steps to correct the weaknesses.

HEAD 5639: POST AND TELECOMUNICATIONS DEPARTMENTS

7.2.105 An audit of the Appropriation Account, financial transactions, accounting and other operational records of the Post and Telecommunications Department (PTD) was conducted to determine whether the Accounts were presented in accordance with the applicable financial reporting framework.

7.2.106 The audit disclosed weaknesses in the controls over furniture and equipment, bank reconciliation statements and payment vouchers. We found that the inventory records were not updated to reflect equipment totalling $15.2M that was acquired during the year. Additionally, bank reconciliation statements for the Deposit Account were fifty-four months in arrears. Further, the audit revealed that cash management of the Payroll Account was not properly exercised as funds in the account would not be able to facilitate the total value of the cheques drawn as at March 31, 2014.

7.2.107 PTD also failed to ensure that payment vouchers amounting to $20.4 million were stamped paid or cancelled to prevent re-use. Additionally, we found that the Vehicles and Advance Card registers were not properly maintained.

7.2.108 Management was advised to take the appropriate corrective action to strengthen its system of internal controls to reduce risk exposure. The weaknesses have since been addressed by management.

ENERGY SECURITY EFFICIENCY ENHANCEMENT PROJECT (ESEEP)

7.2.109 The audit of the financial transactions and accounting records of the Energy Security Efficiency Enhancement Project (ESEEP) was conducted in accordance with the FAA Act and the terms of the loan agreement.

7.2.110 The audit revealed a generally satisfactory state of affairs. However, we noted that the objectives under Part B of the Loan Agreement – *Developing Energy Efficiency and Renewable Energy Potential* might not be achieved on a timely basis. This was due to challenges being experienced by the Bureau of Standards Jamaica in the procurement of a new testing chamber and modification work necessary to house the existing testing chamber.

7.2.111 Management indicated that the targets, as stated in the Approved Budget, did not, in some cases, accurately reflect the actual timing of expectations for targets. It gave the impression that targets were due to be completed within the financial year, although they were expected to span more than one financial period. Management further stated that:

i) While the contract for the new test chamber was awarded, the completion of this activity would be delayed as it was contingent on other activities, such as building modifications, which had to be re-tendered.

ii) In relation to the refurbishing of the existing testing chamber, approval was granted during the period under review for the direct contracting method of procurement to be used to select the supplier.

iii) The contract for Building Modification Works was previously tendered but no response was received. However, this was re-tendered on August 19, 2015.

7.2.112 We did not detect any material weaknesses in the internal controls that would hinder the achievement of the Project objectives or prevented the accuracy and completeness of the financial information. Our audit procedures also did not identify any breach of the terms of the loan agreement.

HEAD 6500: MINISTRY OF TRANSPORT, WORKS & HOUSING

7.2.113 An audit of the accounting records and financial transactions of the Ministry of Transport Works and Housing (MTW&H) was conducted to evaluate the effectiveness of the administrative and accounting controls to determine whether adequate systems, policies and procedures were in place in relation to the financial reporting requirements and other specific activities of the Ministry.

MTW&H failed to surrender $205.7 million to Consolidated Fund

7.2.114 The Ministry failed to surrender $205.7 million to the Consolidated Fund in keeping with Section 19 (4) of the Financial Administration and Audit Act. Instead, the Ministry used the amount to offset expenses related Jamaica Emergency Employment Programme. The Ministry indicated that these funds were not remitted to the Consolidated Fund in accordance with the JEEP Financial and Accounting Procedures which states that: *"Funds in the JEEP Bank Account under FP 46 shall not be surrenderable to the Consolidated Fund but shall roll from one financial year to another."* However, we noted that this document is dated May 1, 2014, and hence would not relate to the 2013/2014 financial year. Management later presented a retroactive approval from the Ministry of Finance & Planning dated December 8, 2015 outlining that the JEEP Procedures dated May 1, 2014, was effective March 31, 2014. This arrangement should have received Parliamentary approval.

Inadequate Control over Advances

7.2.115 We noted that four advances made during the 2013/2014 financial year under Head 6500A totalling $12.2M remained outstanding as at November 30, 2015, twenty months after the end of the financial year; as such, expenditure for the 2013/2014 financial year could be understated by that amount. Conversely, the Ministry recorded $1.015B as expenditure based on funds advanced to the National Works Agency (NWA). However, the Ministry did not provide us with original invoices and payment certificates which could validate the authenticity of the amount purported to have been expended. Management was advised to carry out a comprehensive review of the advances and the related monitoring process and devise a strategy to ensure that advances are cleared promptly and the expenditure properly justified. The Ministry later responded outlining the strategy to remedy the deficiencies noted with the clearance of advances.

ROAD MAINTENANCE FUND

7.2.116 The Road Maintenance Fund (RMF) was established under the Road Maintenance Fund Act of 2002 to maintain the country's main roads and structures, pursuant to Section (4) of the Main Roads Act. Currently, there are over 5000 km of roadway designated as main road which falls under the purview of the RMF. The RMF is funded from one third (1/3) of the motor vehicle licence fees collected by the Tax Administration of Jamaica.

7.2.117 We audited the accounting records and financial transactions of the Road Maintenance Fund to assess whether there was compliance with laws, regulations, circulars and other guidelines that relate to or govern the operations of the RMF. An assessment of internal controls was also done to determine whether appropriate controls were in place.

KEY FINDING

7.2.118 As at March 31, 2015 the RMF had unsubstantiated expenditure of $195 million, which represents amounts advanced to the NWA to undertake road maintenance work. The NWA has a responsibility to provide the RMF with the requisite invoices and supporting documentation to enable RMF's proper accounting of the related financial transactions. However, the RMF did not obtain the requisite invoices or supporting documents from the NWA; consequently, we could not determine whether the $195M was used for the intended purpose. RMF indicated that NWA had subsequently provided invoices and the relevant supporting documents amounted to $86.09M.

7.2.119 The RMF allocated $208.10M under a special project to repair Parish Councils' roads, contrary to the provisions of the Road Maintenance Act; which stipulates that: "main roads" means a road specified in the Schedule of Main Roads pursuant to section 4 of the Main Roads Act, and "maintenance" includes the routine and periodic upkeep and rehabilitation of main roads and structures of main roads and "road maintenance" shall be construed accordingly". RMF has since advised that it has notified the MTWH of the breach.

HEAD 6700: MINISTRY OF WATER, LAND, ENVIRONMENT AND CLIMATE CHANGE

7.2.120 The audit of the accounting records and financial transactions, for the period under review, of the Ministry of Water, Land, Environment and Climate Change revealed a generally satisfactory state of affairs. Our findings were communicated to the Accounting Officer and we noted where steps were taken to resolve these findings.

QUICKSTART PROGRAMME

7.2.121 The Strategic Approach to International Chemicals Management (SAICM) is a global policy framework to promote sound chemicals management. Under SAICM, the Quick Start Programme Trust Fund (QSPTF) has been established to provide grants funds to developing countries in keeping with the strategic priorities of the Programme.

7.2.122 Financial support was provided by the Quick Start Programme Trust Fund (QSPTF) to the Government of Jamaica for the project entitled, “Strengthening the National Capacity under the framework of the Integrated National Programme for the sound management of chemicals in support of the implementation of the Strategic Approach in Jamaica”. The objective of the Project is to build the capacity of Jamaica to manage chemicals and hazardous wastes in an environmentally sound manner.

7.2.123 The Project is a multi-dimensional one which seeks to build on some initiatives undertaken under the Integrated National Programme (INP) for the Sound Management of Chemicals in Jamaica as well as address selected Strategic Approach to International Chemicals Management (SAICM) objectives which relate to emerging policy issues of importance to the country.

7.2.124 A number of Project components seek to build on existing chemicals management initiatives and/or directly support Jamaica’s fulfilment of its obligations under the main chemicals multilateral environmental agreements to which it is a Party.

Project components:

7.2.125 The Project has six components, which are being implemented by five Project implementing agencies, as follows:

Component I: Promulgation of chemicals legislation – led by the Ministry of Health (MOH)

Component II: Updating of the National Chemicals Management Profile – led by the Ministry of Water, Land, Environment and Climate Change (MWLECC)

Component III: Preparing inventories for selected priority chemicals (mercury & asbestos) – led by the

MOH & the National Environment and Planning Agency (NEPA)

Component IV: Developing and implementing a national programme for the environmentally sound management (ESM) of e-wastes – led by National Solid Waste Management Authority (NSWMA)

Component V: Developing a National Chemical Emergency Risk Management Plan (NCERP) – led by Office of Disaster Preparedness and Emergency Management (ODPEM)

Component VI: Conducting Hazardous Wastes Operations Emergency Response (HAZWOPER) training – led by NEPA.

7.2.126 The audit of the accounting records and financial transactions of the Strategic Approach to International Chemicals Management (SAICM) Quick Start Programme Trust Fund (QSPTF) Project focused on determining compliance with procedures in relation to specific activities of the Project.

7.2.127 The audit revealed a generally satisfactory state of affairs. However, we noted a few deficiencies.

Delays in executing Project activities

7.2.128 **The Project is at risk of not meeting its intended purpose, as the Implementing Agencies were tardy in executing activities.** We noted that there were protracted delays, of up to seven months, in signing the Memoranda of Understanding (MOU) and the finalization of the preliminary activities (work plans and Term of References). Consequently, at July 31, 2015, fifty-seven of the 62 planned activities were not started. Additionally, only US$18,000 of the US$167,000 disbursed by the donor was spent for the period. Management indicated that significant delay with the procurement process contributed to slow roll out of the project. Management also indicated that the value of the original budget became inadequate to complete the activities required to begin the project.

RECOMMENDATION

Management was advised to take the necessary steps to correct the shortcomings identified.

HEAD 7200 - MINISTRY OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT

PORTMORE MUNICIPAL COUNCIL

7.2.129 The audit of the accounting records and financial transactions of the Portmore Municipal Council (PMC) focused on assessing the effectiveness of the controls over the preparation and presentation of the accounts as well as the level of compliance with relevant regulations, circulars and other guidelines.

7.2.130 The discrepancies that were highlighted by our audit were communicated to the PMC which committed to have the matters resolved.

SOCIAL DEVELOPMENT COMMISSION (SDC)

7.2.131 An audit of the accounting records and financial transactions of the Social Development Commission was conducted to evaluate the effectiveness of the administrative and accounting controls in order to determine whether adequate systems, policies and procedures were in place.

KEY FINDINGS

Inadequate Control over Receivables

7.2.132 An amount of $219,574.52 has been classified as receivables since 2004 contrary to standard accountancy procedures. Receivables are current assets which are expected to be cleared within twelve months. SDC indicated that the debtor is overseas and steps have been taken to contact the individual in order to recover the amount.

Overpayment of Salary

7.2.133 A Community Development Officer was paid for the full month of March 2014 although his effective date of resignation was March 26, 2014. Consequently, he was overpaid $16,939.89 because he was paid for 21 days instead of 17 days. Failure to recover amounts overpaid could result in the culpable officer(s) being asked to make good the loss.

RECOMMENDATIONS

1. Management was advised to investigate all receivable balances, assess collectability and make the necessary write-off in keeping with the requirements of Circular No. 15.

2. Management was advised to conduct their own verifications and take the necessary corrective measures to recover the amount overpaid. Management should also ensure that all payments to leavers are independently reviewed to prevent recurrence.

MANCHESTER PARISH COUNCIL

7.2.134 The audit of the accounting records and financial transactions of the Manchester Parish Council was undertaken to determine whether the activities of the Council were conducted in accordance with the policies and regulations of the Government of Jamaica. The audit reflected a generally satisfactory state of affairs; however, we noted the following:

Contract Officer's Employment not approved

7.2.135 The Council did not obtain the approval of the Ministry of Finance & Planning for the employment of a Contract Officer whose contract expired on January 13, 2015. The Contract Officer was paid a total of approximately $1.0M for the period January 14 to September 30, 2015, subsequent to the expiration of the contract. Where emoluments are paid to officers without contracts being in place and ratified by the Minister of Finance and Planning, these payments are deemed unauthorized.

7.2.136 The Council's Human Resource systems should be reviewed to prevent such recurrence. Subsequently, management indicated that the officer's contract of employment will be terminated on December 31, 2015.

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