R E P O R T OF THE
AUDITOR GENERAL
ON THE
FINANCIAL TRANSACTIONS
AND FINANCIAL STATEMENTS
OF THE GOVERNMENT OF JAMAICA
FOR THE FINANCIAL YEAR ENDED
31ST MARCH, 2014

AGD Jamaica
AUDITOR GENERAL'S DEPARTMENT
accountability | transparency | efficiency | integrity

AUDITOR GENERAL'S DEPARTMENT
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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 19, 2014

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 2014 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
AcGD	Accountant General's Department
AuGD	Auditor General's Department
MDA	Ministry Department and Agencies
CISA	Certified Information Systems Auditor
CTMS	Central Treasury Management Systems
FAA	Financial Administration and Audit Act
GYDI	Global Youth Development Index
GOJ	Government of Jamaica
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
INTOSAI	International Organisation of Supreme Audit Institutions
MLSS	Ministry of Labour and Social Security
NCC	National Contracts Commission
NCYD	National Centre for Youth Development
NHF	National Health Fund
NHT	National Housing Trust
NRW	Non-Revenue Water
PAC	Public Accounts Committee
PBMA	Public Bodies Management and Accountability Act
JIS	Jamaica Information Service
IRD	Inland Revenue Department
MOFPS	Ministry of Finance and Planning
MOFAFT	Ministry of Foreign Affairs and Foreign Trade
YDI	Youth Development Index
YIC	Youth Information Centre

VISION AND MISSION STATEMENTS

Vision Statement

AUDITOR GENERAL'S DEPARTMENT

accountability | transparency | efficiency | integrity

- Promote transparency, accountability, and best practices in Government operations;
- Conduct independent audits and make reports to improve the use of public resources;
- 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.

Mission Statement

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Section 1:

AUDITOR GENERAL'S OVERVIEW

I am pleased to present my annual report for the financial year ended March 31, 2014. This report provides a summary of the major findings of the audits conducted for which reports were not already tabled in the House of Representatives. It also provides an overview of the operational performance of the AuGD.

The AuGD's vision of "promoting a better country through effective audit scrutiny of government operations" served as the anchor for the risk based audit plan that was executed between January and December 2013 to November 2014.

We actively prepared for the reorganization of the department to enhance its capacity to function effectively by meeting the needs of stakeholders and remaining relevant in an evolving environment and increasingly complex public sector. The AuGD being cognizant of its immense role in public financial management reviewed, during 2014, its audit strategy and business processes. This review resulted in the amendment of our mission statement which impacted our risk based strategic business plan. The AuGD views as its greatest strength its constitutional mandate which allows it uninhibited access to records and the autonomy to conduct, without obstruction and influence, audits deemed necessary. On the other hand, our changing environment, spurred by depleting resources, has caused us in recent years to not only focus on whether transactions are done in keeping with the requisite laws and guidelines, but to determine as well if our limited resources are being spent in a manner to achieve maximum output and desired outcomes. On that basis, we allocated significant resources to enable the execution of performance and activity based audits. We achieved 98% of our planned activity based audits. The planned turnout of reports was not as we had intended, having achieved only 36% our plan. Both ABAs and PAs are nascent methodologies for the AuGD, which call on critical and analytical thinking more so than accounting knowledge. It has been a steep learning curve for us. Nonetheless, with continued targeted training, coupled with capacity building associated with the re-organization, we should be able to achieve our targeted performance level.

A fundamental element of public financial management is good governance to safeguard transparency and accountability. One of the tools of transparency and accountability is financial reports which meet international standards. We fully recognize that anything other than current financial reports do not provide the level of transparency which will enable accountability. To that end, and to avoid being complicit in this matter, we adopted strategies throughout the year to bring to current state financial statements which are in chronic arrears. We have had great success with many entities namely the Parish Libraries, National Works Agency and Registrar General's Department. Whilst we work earnestly on the others; of course, the extent to which we can overcome the associated arrears is largely predicated on the availability of the records to support the financial statements - this continues to be a challenge and has placed great pressure on our already very limited resources. Our audit staff was provided with formal training in International Public Sector Accounting Standards (IPSAS). IPSASs are applied by Executive Agencies and other statutory bodies which have adopted the accrual accounting method. There are a few agencies that prepare their financial reports on the cash basis; in these instances, they are compliant with IPSAS cash basis standard.

We hold ourselves to very high standards and commensurately endeavor to ensure that we maximize the benefit of our very limited resources. In that regard, we have adopted an audit planning and monitoring mechanism to ensure that our resources are focused on high risk areas and our audits are conducted with due regard to efficiency and effectiveness, whilst meeting all the relevant internal auditing standards. Whereas we enjoy the benefits of a profession that is driven by performance and excellence, we are also part of a profession that is highly regulated. In that regard, we spent an immense amount of time during the year ensuring that our practices are compliant with International standards. One such standard requires continuous professional development for all auditors – an area in which we were challenged for many years owing to limited resources, both human and financial. In recent times, as the result of an approval from Parliament to utilize funds received from agencies for financial statements audit, we have been able to improve on our professional development activities. Our internal training activity was still stymied due to the work pressure of our staff members who were designated as trainers. We embarked on a discussion with MIND to arrive at a collaborative arrangement with that institution to deliver a specially designed training programme. It is our intention that the first module will be delivered in January 2015. This will ensure that our curriculum, provided by the IDI/INTOSAI, will be delivered in a structured and consistent manner with the assistance of staff members who were specifically trained by INTOSAI.

The AuGD hopes to remain a fluid organization which is constantly evolving to reflect the critical changes of the public sector. In this regard, we aim to meet the needs of our citizen by remaining abreast of international developments and best practices in the field of audit. We continue to participate on the international level in this endeavor and have benefitted as an organization both in terms of capital equipment, audit resources, and ideas which have guided our capacity building activities and business process refinement. The AuGD, through the grant assistance of the IDB, acquired the audit automation software TeamMate. This software, which automates the audit process, enables us to remotely monitor the work of the audit teams who are widely dispersed thereby significantly improving audit efficiency and quality. Consequently, it enables us to conduct more audits with the same level of resources. I wish to use this space to thank the IDB for responding favourably to our request for this venture which, at the time it was conceptualized, was a novel project activity for the Bank.

As we strive to improve our processes and performance, our legal mandate has widened to enhance the Auditor General's role as it relates to the fiscal rules. On April 1, 2014, sections of the FAA Act were amended to enhance and add to the existing fiscal rules, which significantly impacted AG's role. Though I issued a report subsequent to that date, the FPP, prepared and tabled after the effective date of the Act, did not meet the stipulated criteria. The Act was subsequently amended to bring into effect the AG's role in February 2015. The planned re-organization of the AuGD aims to, among other areas, build its capacity to effectively carry out the review of the fiscal rules. At the point of writing this report, I have not received the requisite approval from the Ministry of Finance to enable this process to take place; the Ministry has however signaled its intent. Nonetheless, I have advised the Ministry of the negative implications for the AuGD to undertake the review in the absence of the necessary competencies.

We conducted 347 audits during the period December 2013 to November 2014. 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 and practices which betrayed good governance. The results of the audits are outlined in Sections 4 to 7. However, 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. I take this opportunity to commend the MDAs for their acceptance and responsiveness to the issues, backed by the will to correct many of the deficiencies highlighted in my reports and the steps taken to implement same. Many MDAs appreciated our targeted review of their business activities/processes which highlighted the levels of efficiency and effectiveness of these activities.

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, expressions of concern and advice.

Pamela Monroe-Ellis F.C.C.A., F.C.A, C.I.S.A.,
Auditor General
18th DECEMBER, 2014

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Section 2:

ORGANIZATIONAL REVIEW

STRATEGIC ENVIRONMENTAL CONTEXT

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 in which the AuGD operates, 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 office 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 is implementing a fiscal reform programme under the aegis of the International Monetary Fund (IMF), which involves tax reform and public sector workers wage freeze. 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 has increased the focus on performance audits to assess efficiency, effectiveness and economy in government operations and to examine and report on whether the GOJ's Fiscal Policy Paper complies with the principles of prudent fiscal management.

2.1.4 The AuGD is not exempted from the current fiscal consolidation and must operate within the tight fiscal constraints. The department could face potential budget cuts due to shortfall in GOJ's revenue. To overcome the threat, the department could seek closer collaboration with development partners to strengthen the institutional capacity of the Department. For example, the association with international bodies and agencies provides the opportunity to have joint training programmes and knowledge sharing.

2.1.5 AuGD has been active at the INTOSAI level. The Department has been afforded the ability to comment on international audit policy papers, guidelines, and have participated in conferences.

PUBLIC SECTOR CONTEXT

2.1.6 The AuGD is committed to comply with governance and accountability rules to which we hold Ministries, Departments and Agencies (MDA). 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. An Audit Committee, which includes persons selected from the private sector, has been appointed by the Government of Jamaica Audit Commission to provide external audit overview of our financial and accounting, risk assessment and governance systems.

SOCIETAL ENVIRONMENT

2.1.7 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.

2.1.8 AuGD continues to build strong relationship 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

2.1.9 The use of more technology in our audit processes will result in greater efficiency in our overall performance. As such, the department has employed technology to improve the documentation of audit evidence and the preparation of reports. In 2014, the AuGD acquired Teammate software to automate the working papers to increase the efficiency of its audit process. The software also allows for the real-time review of auditors' assignments and the prompt monitoring of audit assignments. Along with the acquisition of closed user group (CUG) ICT capabilities, difficulties in gathering appropriate information from MDAs could be lessened.

CONCLUSION

2.1.10 The Auditor General's Department has a number of factors that will contribute to sustained efficiency. As we build on these advantages, we will be better able to manage and ensure future prosperity. 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. One of the most significant is the lack of resources. This has far-reaching implications for the achievement of 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.

ADMINISTRATIVE REVIEW

INTRODUCTION

2.2.1 The Auditor General's Department (AuGD) was established through the Constitution and the Financial Administration and Audit Act. The Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. The Auditor General has the responsibility to audit the accounts of all public body and to prepare an annual report to be submitted to Parliament. The Department received delegated authority from the Public Services Commissions in April 2012 which gives it autonomy over the management of its financial and human resources.

GOVERNANCE & STRATEGIC PLANNING

Executive Management Committee (EMC):

2.2.2 The Executive Management Committee (EMC) chaired by the Auditor General and comprising the Divisional Directors and two named Senior Directors was established in 2014 to provide professional and administrative leadership and direction for the operations of the Department in an efficient, effective, transparent and economical manner.

Roles & Responsibilities of the EMC

- ❖ Sets the strategic direction of the Department – review and sign off on the business plan and budget
- ❖ Reviews quarterly and annual performance of the Department and make recommendations as appropriate
- ❖ Reviews and responds to recommendations from the audit committee and management subcommittees
- ❖ Sets and periodically reviews operational polices
- ❖ Reviews and signs-off on recommendations from other internal committees and subcommittees

Internal Audit Committee (IAC):

2.2.3 In addition, as part of our effective governance structure, the Internal 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.

Roles & Responsibilities of the IAC:

- Reviews compliance with laws, regulations, policies, and standards of ethical conduct;
- Reviews the Department's risk profile and risk management arrangements and internal controls;
- Oversees the work of the Department's internal auditors, and its quality control function;
- Reviews and comment on internal audit reports and advise the AG on appropriate action;
- Prepares reports on the internal audit matters to the PAC as required.

OSC Audit of HR functions

2.2.4 In addition, the Department's Human Resource functions are audited by the Office of the Services Commission on a biennial basis (last being November 2013) in which areas of weaknesses and strengths are highlighted. To date, the Department has implemented some of the recommendations made by the OSC and has put a plan of action in place to ensure that all the weaknesses highlighted will be addressed.

FINANCIAL MANAGEMENT

2.2.5 The Department's approved expenditure budget to provide audit services to MDA's for the financial ended 31 March 2014 totalled $357,081,000 while the actual expenditure was $344,806,208.69. The approved revenue budget Appropriation-in-Aid (A.I.A) $10M. However, only $5,787,244.91 was realized. The Appropriation Accounts for the year to report on the financial management of the resources allocated to the Department was submitted to the Ministry of Finance and Planning (MoFP) to be audited in accordance with Section 122 (4) of the Constitution.

2.2.6 As in previous years, compensation of employees accounted for a significant portion (60.7%) of the total expenditure. However, actual expenditure was less than planned as some vacancies were unfilled.

2.2.7 Travel expenses and subsistence 17(%) exceeded the approved provision. This resulted from a reduction in the amount requested in the draft estimates submitted to the Ministry of Finance, and a further reduction in the 1st Supplementary Estimates to meet anticipated relocation expenses.

2.2.8 During the year Department relocated. The actual expenditure for rental (11.3%) exceeded the budgeted amount due to increased rental rates for the former location and the delay experienced with execution of the contract for refurbishment of the new location. This resulted in the payment of double rent for two months in excess of the budgeted amount.

2.2.9 Expenditure for use of goods and services (7.8%) proved less than the revised budget. We obtained approval for $20M to be reallocated to use of goods in the 1st Supplementary Estimates to meet anticipated relocation expenses. However, all expenses did not occur due to several events, which included reduction in the scope of the work, some works were not completed, and some invoices were not received by year end.

2.2.10 Awards and social assistance (0.5%) expenses surpassed the provision as four officers applied for tuition refunds instead of two that were budgeted for.

2.2.11 Expenditure for grants and contribution (0.1%) was less than provision due to marginal variances in anticipated costs.

2.2.12 Capital goods expenditure (0.1%) was less than planned as the acquisition of furniture and equipment was curtailed due to the relocation of the department.

Table 1: Overview of Budget for Financial Year ended 31 March 2014

Description	Revised Estimates of Expenditure 13/14	Actual Expenditure 13/14 (unaudited)	Variances Surplus/(Excess)	Share of Total Actual expenses in %
21. Compensation of Employees	211,319,000.00	209,260,712.74	2,058,287.26	60.7%
22. Travel Expenses and Subsistence	56,731,000.00	58,939,841.34	(2,208,841.34)	17%
23. Rental of Property and Machinery	28,850,000.00	39,043,050.00	(10,193,050.00)	11.3%
24. Utilities and Communication Services	7,955,000.00	8,435,833.14	(480,833.14)	2.5%
25. Use of Goods and Services	49,542,000.00	26,879,267.97	22,662,732.03	7.8%
29. Awards and Social Assistance	1,000,000.00	1,639,046.37	(639,046.37)	0.5%
30. Grants and Contribution	181,000.00	162,722.13	18,277.87	0.1%
31. Capital Goods	1,503,000.00	445,735.00	1,057,265.00	0.1%
Total	**357,081,000.00**	**344,806,208.69**	**12,274,791.31**	**100%**
Appropriation-In-Aid	**10,000,00.00**	**5,787,244.91**	**4,242,755.09**	
Total Funding Requirement	347,081,000.00	339,018,963.78	8,062,036.22	

Expenditure Trends

2.2.13 Table 2 shows the movement in actual expenditure for 2013/2014 over 2012/2013 by approximately $0.5M (5%). Despite this, expenditure for compensation of employees was lower than planned, which was due to among other reasons, un-filled vacancies, and non-payment of increments and honorarium. The approved compensation figure for 2014/2015 reflects $164M allocated for strengthening the capacity of the department, to attract and keep the level of staff that is required to fulfill the statutory mandate.

2.2.14 Travel expenses for 2012/2013, included the payment of travelling allowance and mileage arrears. The actual expenditure for 2013/ 2014was lower than 2012/2013, but exceeded the budget figure (Table 1) due to inadequate provision and reallocation of $4M in the 1st Supplementary Estimates to cover relocation expenses. The budget for 2014/2015 contains travel allowances and provision for local and overseas official travel.

2.2.15 The rental expenses for 2013/2014 increased by 55% due to revised rental rates for the old location and the payment of two months double rental above what was budgeted. Further, the rental rate for the new location is inclusive of electricity and water charges. Consequently, the utilities budget for 2014/2015 is considerably reduced. Further, the increase for 2013/2014was due to higher than expected increases in utility rates.

2.2.16 In 2013/2014, we incurred relocation expenses contained in the use of goods and services. However, all amounts were not paid by year end because some works were not completed, and some invoices were not received by year end. Accordingly, this necessitated a provision in the budget for 2014/2015.

2.2.17 The expenses for awards and social assistance, and grants and contribution increased marginally for the two years. However, the expense for awards is expected to decrease for the year 2014/2015. Conversely, due to the changes in the exchange rate there is an expected increase in the grants and contribution costs for 2014/2015.

2.2.18 The decrease in the expenditure for capital goods in 2013/2014 resulted from the curtailment of the planned acquisition of furniture and equipment due to the relocation of the department. Hence some of these items have been included in the budget for 2014/2015, as well as the acquisition of laptops, a computer security software and the TeamMate audit software licence.

Table 2: Expenditure Trends for Financial Years 2012/2013 to 2014/2015

Description	2012/2013	2013/2014	2014/2015 Approved Budget	Change in Actual between 2012/2013 and 2013/2014	
	Actual Figure	Actual Figure	Target Figure	In absolute terms	In %
21. Compensation of Employees	216,801,769.60	209,260,712.74	391,637,000.00	(7,541,056.86)	**3.5%**
22. Travel Expenses and Subsistence	59,488,061.63	58,939,841.34	69,553,000.00	(548,220.29)	**1%**
23. Rental of Property and Machinery	25,260,905.80	39,043,050.00	37,034,000.00	13,782,144.20	**55%**
24. Utilities and Communication Services	7,951,037.68	8,435,833.14	3,301,000.00	484,795.46	**6.1%**
25. Use of Goods and Services	13,079,050.16	26,879,267.97	17,867,000.00	13,800,217.81	**106%**
29. Awards and Social Assistance	1,565,904.43	1,639,046.37	1,000,000.00	73,141.94	**5%**
30. Grants and Contribution	150,072.46	162,722.13	181,000.00	12,649.67	**8%**
31. Capital Goods	3,043,952.55	445,735.00	12,342,000.00	(2,598,217.55)	**85%**
Total	**327,340,754.31**	**344,806,208.69**	**538,915,000**	**(17,465,454.38)**	**0.05%**

Organizational Structure

2.2.19 As part of the process of assuming and exercising the delegation granted, the AuGD requested of PWC in 2012 an organizational review with an aim of providing the following:

- Review the present organizational structure and proposing a new structure;
- Review of all processes within the department with recommendations to attain best practices;
- Propose a new salary structure in keeping with the 'new status';
- Develop manuals accordingly to guide the internal processe.s

2.2.20 The findings of the review have been shared with the major stakeholders: Cabinet Office, Office of the Services Commission (OSC) and the Ministry of Finance & Planning (MOF). A detailed budget was prepared and submitted to MOF for approval along with a revised organizational structure for their approval. In August 2014, the AuGD received "Organizational Review: Classification Schedule: Phase 1" as an interim arrangement in the development of the final organizational structure for the Department. This should provide the Department with an initial structure to start the recruitment process to fill the various vacancies that currently exists.

Recruitment & Selection

2.2.21 Currently, the Department is operating with less than its maximum compliment of staff, as we await the final approval of the 'new' organizational structure by the Ministry of Finance. This has impacted severely on the work within the Department as persons have had to be denied vacation leave so as to facilitate the timely completion of audits. In addition, the Department has been and will be conducting more Financial Statements / Performance/Value-for-Money and Information Systems audits and the need exists for staff with the requisite training, knowledge and experience in those areas to lead and direct the respective audit teams. In addition, it is very difficult to effectively fulfil these tasks and to lend support in meeting the specific objectives without the required staff in place. As such, there is now a need for us to employ additional persons within the related area of competence as soon as possible.

2.2.22 As a consequence, once approved, it is our plan to advertise the vacancies internally and externally in order to recruit the skill set required

Training & Development

2.2.23 We continue to develop and implement a sustained professional and technical development programme aimed at ensuring that the most competent staff is recruited in a fair and competitive process; that the staff remains sufficiently competent to achieve the strategic objectives of the department and is adaptable to change in keeping with Vision 2030 Jamaica - National Development Plan. (See **Appendix 1)** for listing of training undertaken for the Financial Year 2014-2015 and planned for 2015-2016).

2.2.24 We recognize that trained employees are likely to apply information learned, think more critically and act more logically. They are better able to adapt to a changing environment and to work across job functions

2.2.25 We continue to make an investment in our human resources by ensuring that our staff obtains continuous professional development through workshops, formal training courses, informal training programmes and mentorships. This is as stipulated by the professional bodies to which our members belong such as the Association of Chartered Certified Accountants (ACCA), Institute of Internal Auditors (IIA) and Information Systems Audit and Control Association (ISACA). During the year, the audit staff members were exposed to technical training in ***IPSAS Training, Report Writing, Financial Statements Audit & Assessment of Internal Control, TeamMate End User Training, GOJ Procurement Guidelines, IDI Training in Financial, Performance & Compliance Audits, IDI/CAROSAI Programme on Cooperative Audit of Revenue Departments, Risk-based approach to Financial Statements Auditing, introduction to Performance Auditing from National Audit Office (NAO)***. In addition, the Administrative Staff members attended courses in Government Accounting, Records and Information Management, Leadership Development, Leave administration

Training Initiative in conjunction with MIND:

2.2.26 In addition, the Department has recognized that a thorough knowledge of the financial systems and the financial regulations along with the duties and responsibilities of the Auditor General is a requisite for all audit staff. In November 2014, the Department entered an agreement with MIND, to assist in the development and presentation of a series of courses which are designed to assist staff in developing the technical and managerial competencies and skills necessary to perform high quality audits. These formal courses will for supplemented with the on-the-job training to ensure that knowledge is transferred and applied.

2.2.27 The programme will be structured in levels as follows:

- Level 1 – Auditors
- Level 2 – Senior Auditors & Team Leaders
- Level 3 – Audit Managers and Directors
- Level 4 – Senior Directors and Auditor General
- Level 5 - (IFRS and other Technical Updates) – All Staff

International Participation:

2.2.28 Our staff members, individually, continue to make significant contributions to the development of auditing standards at the Caribbean and International Audit levels and also have participated in International Conferences furthering the objectives of auditing throughout INTOSAI.

Personal Development:

2.2.29 Individually, staff members continue to improve themselves academically through programmes of continuous education and training at our various institutions.

Change Management

2.2.30 We have developed a change management programme to assist all levels of staff in the establishment and operationalisation of the 'new' organizational structure and the attendant processes involved. The MOF Change Management Unit will be included to assist in the processes.

2.2.31 We recognize that feedback and inputs are needed to strengthen the process. This will be continuously evaluated to accommodate any new developments, whether as policy directives from the Government or as actions which arise from the interaction with the relevant stakeholders.

Staff Welfare

2.2.32 Staff welfare continues to take a prominent part in our activities and the Sports & Social Committee engaged all staff in a number of activities including birthday socials, games evenings and Christmas party

Performance Management

2.2.33 As we try to reward performance and the attainment of our objectives, the Department revised its Performance Appraisal instrument to better reflect the actual work being done by staff members. A further review is currently pending as the Department strives to attain the 'most appropriate' instrument to be used in the evaluation process. The Human Resource Executive Committee (HREC) continues to meet monthly to review overall staff performance and to determine appropriate actions to be taken, their eligibility to receive increments, etc and to recommend suitable candidates for promotions, acting and appointments and any other appropriate actions to be taken by the Department.

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Section 3:

EXECUTIVE SYNOPSIS

EXECUTIVE SYNOPSIS

3.1.1 The Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. My annual report embodies the results of the examination of the accounts and financial transactions of various entities. It contains the findings arising from my audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year ended 31st March, 2014. 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.

3.1.2 Examination of the accounts and financial transactions of the Government is conducted in conformity with Section 122 of the Constitution and Section 25 of the Financial Administration and Audit Act. Section 25(1) of the Act states as follows:

> "*The Auditor General shall, in performing his functions under Section 122(1) of the Constitution ascertain whether in his opinion:*
>
> 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"…*

Public Accounts Committee

3.1.3 The Public Accounts Committee of the House of Representatives is a standing bi-partisan committee chaired by the opposition spokesman on Finance. Under the standing orders of the House all accounts of government agencies and annual reports of the Auditor General tabled in the House are automatically referred to the Committee. In examining the reports of the Auditor General, the Committee calls upon Accounting Officers, other heads of agencies and their support staff to explain their stewardship of the public affairs and resources assigned to them. It seeks to identify the causes for weaknesses mentioned in the Auditor General's reports, obtain information on what is being done to rectify the situation, and makes recommendations as to the corrective measures which should be pursued.

3.1.4 The Committee therefore plays a critical role in helping to ensure that appropriate action is taken on the findings of the Auditor General. During the period March to November 2014, the Committee examined the Auditor General’s Annual Report for the financial year 2012/2013 as well as other special and performance audit reports.

Scope of the Audit

3.1.5 The Auditor General’s 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.

3.1.6 The audits of most Ministries, Departments, Executive Agencies and public bodies for the 2013/2014 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 includes 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.

3.1.7 This year saw the expansion of the amount of activity-based audit conducted. Activity Based Audits entail the examination of an entity’s core activity to ascertain whether the management has implemented a robust system of control to guarantee the achievement of its overarching objective or mandate.

3.1.8 Several programmes and projects were selected for special and governance audits aimed at assessing if adequate planning had been done, proper management control systems instituted and whether the programmes and projects were achieving their intended objectives. A number of Performance audits were also conducted during the course of the year. In all instances a risk based audit methodology was applied. The overriding intent of the audits was to contribute to improvement in the management of public sector entities.

Contents of this Report

3.1.9 This report summarizes several matters of concern emanating from our 2013/2014 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.

3.1.10 The Heads of Government Agencies were supplied with a draft of the points I intended to make in this report on their respective portfolios and given an opportunity to comment thereon.

3.1.11 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, other Acts of Parliament, the Financial Regulations and Instructions, as well as good financial, accounting and management practices have not been observed. The report therefore, tends to emphasize the shortcomings and unsatisfactory features disclosed by the audits.

Generally Satisfactory Audit Findings

3.1.12 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 audit are outlined in sections 5 to 7.

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Section 4:

FISCAL POLICY PAPER (FPP)

REPORT ON THE FISCAL POLICY PAPER – 2014/2015

4.1.1 The Financial Administration and Audit (FAA) Act requires that upon presentation of the annual Estimates of Revenue and Expenditure, the Minister of Finance shall lay before both Houses of Parliament, a Fiscal Policy Paper (FPP) setting out;

(a) a Macroeconomic Framework;
(b) a Fiscal Responsibility Statement; and
(c) a Fiscal Management Strategy.

4.1.2 The Auditor General is required under the FAA Act to examine the components of the FPP and provide a report to the House.

4.1.3 Extracts from the report on the Fiscal Policy Paper 2014-15 are provided below.

The full report may be viewed at:

http://www.auditorgeneral.gov.jm/files/u5/FPP_AuGD_Report_2014.pdf.

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 objective and questions; interpret the audit evidence; and to be able to draw audit conclusions.

5.1.2 Table 3 shows that within this year, the Performance Audit Unit completed nine audits; two were tabled in Parliament, final reports were submitted for two others and five draft reports were submitted to clients for further information and clarification. Two other audits are expected to be completed by March 2015.

Table 3: Status of Performance Audits for 2014

Audits Planned & B/fwd	Reports Tabled & Dispatched	Draft Reports Dispatched	Audit Postponed	W.I.P	Performance Target Achieved
11	4	5	0	2	82%

5.1.3 Table 4 shows the breakdown of the audits planned and executed.

Table 4 : Status of Audit Assignments

No.	Audit Assignments	Status	
1	Correctional Services - Rehabilitation and Reintegration	Current	Completed -Tabled
2	Jamaica Fire Brigade	Brought Forward	Completed - Tabled
3	Tax Administration	Current	Draft Report Submitted to Entity
4	Debt Management	Current	Draft Report Submitted to Entity
5	Management of Chronic Diseases	Current	Draft Report Submitted to Entity
6	National Insurance Fund	Brought Forward	Draft Report Submitted to Entity
7	National Housing Trust	Brought Forward	First draft report submitted to entity
8	Administration of Justice - Case Management	Current	Work in Progress
9	Property Tax Management	Current	Work in Progress
10	Fisheries Division (Follow-up Audit)	Current	Report Dispatched
11	Post & Telecommunication Department (Follow-up Audit)	Current	Report Dispatched

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 entity performance through its Public Accounts Committee (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.

DEPARTMENT OF CORRECTIONAL SERVICES (DCS)

5.2.2 DCS is an arm of the Ministry of National Security with direct responsibility for the care and custody of all offenders placed in correctional facilities. The audit identified that DCS was not determining the risk profile and rehabilitation needs of all inmates, upon entry to a correctional facility. Further, DCS could not demonstrate that their rehabilitation activities are meeting the needs of inmates and we found that there were no structured rehabilitation opportunities to address the needs of certain categories of adult offenders, including mentally challenged inmates, and those convicted for sexual and drug abuse offences. We also found that DCS's re-offending rate may not be reflective of the total reoffending inmates in their correctional facilities, as it excludes inmates with previous non-custodial sentences.

DCS's Adoption of Recommendations made by the Auditor General

5.2.3 DCS has taken steps to implement all of the recommendations made in the Performance Audit report. DCS has prioritised the risk and needs assessment of new admissions since August 2014, and intends to complete the required assessment for all other inmates by July 2015. DCS cites the need for a specialist and a dedicated facility to efficiently provide structured rehabilitation opportunities to mentally challenged inmates, and those convicted for sexual and drug abuse offences. DCS has indicated that reoffending rates will be computed including inmates with previous non-custodial sentences and the results included in its next Annual Report, to be submitted to Parliament.

The full report, including our recommendations, may be viewed at: www.auditorgeneral.gov.jm/reports

JAMAICA FIRE BRIGADE (JFB)

5.2.4 JFB is a statutory body established to provide emergency response throughout Jamaica and its territorial waters. It is the duty of the Fire Brigade Commissioner, under Section 7(2) of the Fire Brigade Act, to see to it that all fire engines, fire boats and fire equipment are kept in good order and repair and are used for the purposes of JFB. However, we found that the issue of out of service emergency vehicles is affecting JFB's ability to carry out its fire fighting activities, emergency medical care and rescue services. In addition, we found that JFB is not managing well its fire prevention activities in order to minimize injuries, loss of lives and damage to properties. Also, JFB is not utilising information readily obtainable to assess its timeliness in responding to fires. The evaluation would also assist JFB to monitor its response time and institute appropriate measures to improve performance. Further, JFB resources are significantly impacted as 87 per cent of JFB’s emergency responses are for brush/debris fires and malicious false alarm calls

JFB’s Adoption of Recommendations made by the Auditor General

5.2.5 JFB has taken steps to implement some of the recommendations made in the Performance Audit report. JFB has modified its existing vehicle efficiency report to allow management to readily monitor various trends that should result in improved emergency vehicle maintenance. Also, JFB has conducted follow-up exercise to ensure that owners of specified buildings continue to adhere to fire safety regulations. In addition, steps have been taken to ensure that the fire stations were not in breach of fire safety standards. In order to assist JFB to monitor response time and to ensure that JFB arrive at emergency scenes in the shortest possible time, we recommended that an assessment of response time be conducted and the results used to develop internal performance standards. However, JFB has not implemented this performance standard citing various factors, including resource constraints. This has resulted in JFB being unable to determine whether fire personnel are reaching fire and other emergency scenes within reasonable time.

The full report, including our recommendations, may be viewed at: www.auditorgeneral.gov.jm/reports

FOLLOW-UP OF PREVIOUS PERFORMANCE AUDIT REPORTS

5.3.1 We conduct follow-up of previously tabled performance audit report to assess whether key findings identified in the report have been addressed by the entities and to highlight the impact of the audit and progress made, to date, in implementing audit recommendations. This represents the final stage of our performance audit process, which provides Parliament with information regarding previously unresolved issues and progress of implementing commitments given at the Public Accounts Committee (PAC). The report includes audit follow-up audit work for the following entities:

Table 5: Status Reports of Prior Audit Assignments

No.	Audit Assignments	Type of Audit
1	National Irrigation Commission	Performance Audit
2	Office of Utilities Regulation	Performance Audit
3	Agri-Invest Corporation	Special Audit
4	Post and Telecommunications Department	Performance Audit
5	Fisheries Division	Performance Audit

NATIONAL IRRIGATION COMMISSION (NIC)

5.3.2 The National Irrigation Commission (NIC), established in 1986, became operational in May 1987. NIC's main objectives are to manage, operate, maintain and expand existing and future irrigation schemes and systems, as may be established by the Government of Jamaica (GOJ). NIC's main role is to provide irrigation services to the agricultural sector by developing potential sources of irrigation water to spur agricultural production.

5.3.3 NIC has taken steps to implement some of the recommendations made in the Performance Audit report tabled in the House of Representative in June 2013. NIC has acquired bulk flow meters that have resulted in 96 per cent of irrigation water currently being measured. Further, NIC has partnered with the Sugar Industry Research Institute (SIRI) to collect water samples to test for a range of variables, including contaminants. Timely monitoring and action by NIC of the test results should reduce the health and environmental risks of contaminants and contribute to the supply of safe water to agricultural and commercial users.

5.3.4 NIC has not been able to implement 43 of the 51 planned capital projects under the National Irrigation Development Programme (NIDP), due to inadequate resources. In addition, NIC inability to fund repairs to its aging and inefficient irrigation infrastructure to curtail water losses, has contributed to experienced declining productivity. NIC has indicated that it would seek external funding to complete NIDP projects, within government's fiscal constraints. However, issues relating to NIC's aging irrigation infrastructure and resulting increased need for maintenance remains outstanding. Further, NIC has not finalized the overall maintenance plan to guide routine repairs and maintenance.

5.3.5 NIC is unable to provide evidence that the government received commensurate value for the $2.8 million purportedly spent to procure 11 (1000 gallons) water tanks and provide water to the respective beneficiaries in the two parishes. To date, NIC has not presented the criteria used to select the beneficiaries and make available for physical inspection the water tanks and evidence that the nine contractors supplied 486,000 gallons of water to the 11 beneficiaries. NIC has subsequently referred the matter to the Revenue Protection Division (RPD) of the Ministry of

Finance seeking assistance in identifying the recipients of 11 water tanks and nine contractors for the supply of water.

OFFICE OF UTILITIES REGULATION (OUR)

5.3.6 The Office of Utilities Regulation (OUR) which became operational in 1997 is the regulator of water and sewerage, electricity, telecommunications, and transportation sectors. The role of OUR includes setting the framework within which the regulated entities operate, as well as, establishing the rates and service standards for some of the regulated sectors. OUR also provides an avenue of appeal for utility consumers.

5.3.7 OUR has made progress in adopting some of the recommendations made in the Performance Audit report tabled in the House of Representatives in November 2013.

5.3.8 Parliament has taken action to correct the overlapping functions in the OUR's Act (1995) and the Transport Authority Act (1987) regarding which regulator had the authority to set fares for the transportation sector. The OUR Act was amended to remove the OUR as the regulator to set fares for the transportation sector. The Transport Authority Act now governs the fare setting on public passenger vehicle.

5.3.9 The OUR Act does not permit OUR to impose fines on all utility providers. The Telecommunication Act grants OUR specific legal authority to hold entities in the telecommunication sector accountable to improve service delivery and efficiency.

However, there is no similar provision in the Act that govern the electricity and water sectors. OUR had prepared and submitted a draft Cabinet Submission to amend the OUR Act to grant them similar powers to impose fines for breaches of the regulations and/or conditions of their licenses, similar to which obtains in the telecommunication sector. At the time of our audit, the submission was with the Office of the Cabinet.

5.3.10 OUR is currently implementing Quality Management System and ISO 9001:2008 Certification, with slated completion in 2015. This will result in the introduction of formal policies and procedures relating to its regulatory and monitoring functions of utility providers. Further, OUR has accepted our recommendation to strengthen its monitoring function by accelerating and implement an appropriate monitoring framework, systems and policies to guide its activities. Further, OUR intends to begin implementing initiatives to improve compliance in utility providers submission of quarterly reports and to develop a database to better monitor utility licenses.

5.3.11 OUR accepted our recommendation to review the automatic and claimable compensation system to foster greater compliance with the Guaranteed Standards Scheme by the utility providers. As such, OUR has given a commitment at the PAC, to review the number of breaches that attract automatic compensation in upcoming tariff determinations, including the current JPSCo. Tariff Determination.

POST AND TELECOMMUNICATIONS DEPARTMENT (PTD)

5.3.12 The Post and Telecommunication Department (PTD) was established under the Post Office Act (1941) as the legal authority under which post offices operate in Jamaica. The PTD is a Principal Receiver of Revenue with responsibility for the proper collection and accounting of revenue primarily from charges levied for the transmission of postal articles. Additionally, the PTD generates income through the rental of letterboxes, sale of philatelic products and rental of properties.

Background

5.3.13 In May 2010, we tabled a performance audit report on the Post and Telecommunications Department (PTD), which mainly focused on the effectiveness of the property management and the procurement, custody and distribution of stamps. We also reported on other areas outside of the scope that were considered significant. We made several recommendations to address the weaknesses and inefficiencies highlighted in the management of stamps and properties and the other areas of concern.

5.3.14 The objective of the follow-up audit was to determine the extent to which PTD has implemented the recommendations made in the Performance Audit Report issued in May 2010. We also assessed if there were improvements in the activities surrounding the management of stamps and properties.

KEY FINDINGS

Key findings No. 1 of the 2010 audit

5.3.15 The Post and Telecommunication Department did not maintain a detailed inventory record, which uniquely identified its properties by listing property location, size, title volume and folio numbers to facilitate effective management.

5.3.16 **PTD's property register requires updating.** As highlighted in the performance audit report of May 2010, PTD was not faithfully maintaining its property inventory register, as some pertinent information was still missing. For example, of the 285 premises managed by PTD, we found that the property sizes were only recorded for 62 premises and volume and folio numbers were only reflected for nine properties. Absence of complete property records may impair PTD ability to effectively manage properties under its portfolio.

Key finding No. 2 & 3 from the 2010 audit

5.3.17 There was no property management policy to guide the activities of the Building Administration Unit. In addition, the Department did not assess the risks associated with property management to allow for identification and implementation of effective measures to protect its properties and preserve their real estate values.

5.3.18 **PTD's Property Management Manual remains in draft after 4 years.** In May 2010, we reported that there was no property management policy to guide the activities of the Building Administration Unit. PTD drafted a manual in December 2010, outlining activities to guide tenancy selection, lease terms, rental rates and maintenance among others. However, at December 2014, PTD has not finalised its policy. The failure to finalise the manual could result in inconsistencies in the execution of property management activities.

5.3.19 **Rental arrangement not formalized**. We noted that, as at October 31, 2014, there were no written tenancy agreements for 12 premises, while the agreements for another 12 had expired, for periods up to 79 months. With the absence of formal rental agreements, the interest of the government may not be protected and may lead to misunderstanding. In addition, the PTD does not have licence agreements to support the lease of 16 properties to two telecommunication companies. Of the 16 properties, 13 are leased by one of the companies and three to the other.

Table 6: Expired Tenancy Agreements

Period Elapsed	Number of Properties	Percentage
0 - 6 months	1	8.3%
7 - 12 months	1	8.3%
13 - 36 months	2	16.7%
37 - 72 months	6	50.0%
Greater than 72 months	2	16.7%
	12	100.0%

Source: AuGD's analysis of PTD's records

Key findings No. 4 & 5 from the 2010 audit

5.3.20 Nineteen (19) tenants owed the Department approximately $6.7M in rental as at September 30, 2009 for periods up to 57 months; one telecommunication company owed PTD in excess of $5.3M. The Department failed to provide information on the status of outstanding rental as at January 31, 2010.

5.3.21 Tenants were not always required to pay the actual costs for electricity and water supplied; instead, they were allowed to pay fixed charges.

5.3.22 **PTD rental arrears now stand at $8.2 million.** Our review revealed that $6.2 million is owed by current tenants for the rental of 13 properties, for periods up to 99 months, while the remaining $2 million is for former tenants. We noted that the previously reported arrear for the telecommunication company was settled. PTD referred the delinquent tenants were to the Attorney General's Department (AGD) for the recovery of arrears. PTD's inability to collect the amounts or take legal actions may result in revenue losses.

Key finding No. 6 from the 2010 audit

5.3.23 There was no formal contract outlining the relationship between PTD and the supplier of stamps. In addition, there were breaches of the Government's procurement guidelines.

5.3.24 The Department failed to provide information indicating the total expenditure for the procurement of stamps for the period April 2006 to March 2009. In the absence of this information, the audit was unable to determine whether the approval limits prescribed by the Government's procurement guidelines were observed.

5.3.25 The PTD has since entered into contractual arrangement with a United Kingdom based supplier for the production and sale of Jamaican stamps. The contract became effective on July 30, 2010. Further, PTD obtained approval to utilize the direct contracting method of procurement to engage the service of the supplier. The cost to procure the stamps, since 2010 are as follow:

Table 7: Costs to procure stamps 2010 to 2014

Year	Issue	Amount paid	Paid by
2010	Christmas 2010	£6,880.00	GOJ
2011	Definitive Light House	£9,399.50	GOJ
2012	Jamaica 50th Anniversary	£7,050.50	GOJ
	Definitive Lighthouse Reprint	£7,152.50	GOJ
2013	London Olympic	€3,867.00	GOJ
	Christmas 2013	£6,880.00	GOJ
	Definitive Lighthouse Reprint	£9,829.00	GOJ
2014	350th Anniversary St. Andrew Parish Church	£8,268.65	St. Andrew Parish Church

Source: PTD's records

Key finding No. 7 from the 2010 audit

5.3.26 The Departments procurement and sales strategies did not include an assessment of consumers demand patterns to inform the purchase of stamps.

5.3.27 There was no policy guiding the distribution of stamps to ensure that potential revenue from all stamp stock is realised. A stock of slow moving stamps valued at $61.7M at the date of the report had categories of stamps that remained unissued for periods up to 13 years.

Key finding No. 8 from the 2010 audit

5.3.28 Internal controls over the custody and issue of stamps were both enforced as stamps valuing $11.6M issued to post offices were not recorded in the dispatch register and there was no evidence that the register was subjected to review by an independent officer. In addition, the Department was unable to provide details of the contents held in 214 bags, which included stamps that were designated for destruction. The Department did not provide the value of the stamps to be destroyed.

5.3.29 **PTD reduced slow moving stock of stamps to $18.9 million, but experiencing challenges selling small stamp denominations.** Our follow-up review in October 2014 identified approximately $18.9 million in slow moving stock, of which $7.9 million remained unissued for periods up to 16 years.

5.3.30 **Stamps valued at $2.5 million were not recorded in the Main Vault Register.** PTD advised that the stamps were board of surveyed for destruction. However, PTD was unable to provide any evidence to support the claims made.

Key finding No. 9 from the 2010 audit

5.3.31 The Postal Corporation of Jamaica Limited entered into a joint venture agreement with a developer to build the captioned Mall at a projected cost of $199.98M. The Postal Corporation of Jamaica Ltd.'s contribution to the development was 45,000 square feet of land valued at $42M. It was agreed between the joint venture partners that Postal Corporation of Jamaica Ltd. would receive 8000 square feet of office space and 25% of the audited net profit of the Development, but not less than $7M.

5.3.32 The Corporation received 8,065 square feet of office spaces valued at approximately $46M - $48M by a chartered quantity surveyor. However, up to the date of this report the corporation had only received $1M.

5.3.33 **PTD is owed $8.3 million by developers of Liguanea Post Mall.** The PTD indicated that the Department did not receive any further payment under the Joint Venture agreement since our last audit report in May 2010. The total amount owed represents the balance of $6 million under the JVA, plus an additional $2.3 million being expended to correct defects neglected by the Developer. Our review of documents between the Postal Corporation/PTD and the Developer revealed that the entity has been in receivership.

Key finding No. 10 from the 2010 audit

5.3.34 Two telecommunication companies were charged for electricity consumed based on readings obtained from privately installed meters provided by PTD. The companies were not billed monthly but rather on an ad hoc basis. The companies have not been billed by the PTD for electricity usage since October 2008.

5.3.35 **Telecommunication companies now have independent meters.** The PTD's management indicated that independent electricity meters have since been installed regarding the properties for the two telecommunications companies, and thus they are now responsible for their own payments. Our review showed that the final bills submitted to the two telecommunication companies under the previous arrangement were in October and November 2010.

Key findings No. 11 from the 2010 audit

5.3.36 The Department paid $8.5M to various individuals/entities per annum for 115 properties leased to the house post offices island wide. However, PTD failed to produce documentary evidence to demonstrate that 94 of these payees were owners of the premises leased or authorised agents. In addition, rental agreements were not presented for 103 of the 115 properties.

5.3.37 **Absence of lease agreements with landlords.** PTD's records showed that as at December 2014, the Department occupied 107 properties as tenants. Currently, the PTD is incurring monthly rental expenses for 101 of the 107 properties totalling $968,365.92, or only averaging $9,587.78 per month. PTD's lease schedule showed no payments were being made for the remaining six properties as commitment of funds is dependent on the wills for deceased owners being probated.

CONCLUSION

5.3.38 The follow-up audit did not identify significant improvement in PTD's administration of stamps and properties. Pertinent information was missing from property inventory record and the property inventory record management manual is still in draft after four years. In addition, we noted that the rental arrangements are still not formalized for some properties lease to and from PTD. Further, the PTD was unable to recover outstanding rental arrears despite measure being taken. However, the PTD was able to reduce slow moving stamp stocks though they are still experiencing challenges in selling small stamp denominations. PTD should take steps to improve the management of its properties and stamps record to ensure that they are reliable, and continue to pursue the recovery of outstanding amounts.

FISHERIES DIVISION

5.3.39 Jamaica Vision 2030 National Development Plan has recognized threats to the long-term development of the country's marine fisheries including: over-harvesting; habitat destruction and pollution. As such, the Government through Vision 2030 outlined key strategies and actions to be prioritized over a three-year period ending in 2012, chief of which was to upgrade the Fisheries Division of the Ministry of Agriculture to an Executive Agency. This is expected to increase the capacity and capability for increased monitoring and compliance activities.

5.3.40 Currently, the Fisheries Division remains a unit of the Ministry of Agriculture and Fisheries (MoAF), charged with the responsibility for the conservation and sustainable utilization of the Jamaican fisheries resources in a manner that ensures optimum social and economic benefits to Jamaica. The Fishing Industry Act (1975) is the main legislation that provides for the regulation of the fishing industry. The Director of Fisheries as the Licensing Authority is empowered by the Act to issue licences to fishers and vessels. The Act requires that all boats used for business, recreational and sports must be registered.

Background to Audit

5.3.41 In 2008, we conducted an audit on the management of the Fisheries Division (FD). The audit identified two main areas that needed urgent attention: the promulgation of the proposed, revised Fishing Industry Act to secure the sustainability of the country's fishing industry and the institutional strengthening of the FD to enhance its capacity to effect monitoring control and surveillance activities in keeping with its mandate. We also found that FD lacked the necessary resources to undertake extensive and comprehensive research activities.

5.3.42 We recommended that urgency should be placed on the promulgation of the revised Fishing Industry Act and the institutional strengthening of FD. We also recommended that FD ensure that all fishers and boats be registered and licensed and action taken against identified offenders in keeping with the law. The objective of this follow-up audit was to determine the extent to which FD has implemented the recommendations made in our 2008 Performance Audit Report.

KEY FINDINGS

Key Findings No. 1 of the 2008 Audit

5.3.43 Of the approximately 17,552 registered fishers at May 2008, only 1,928 were licensed, a non- compliance rate of 89%. In addition, of the 4,719 registered vessels, only 187 were licensed, a non-compliance of 96%.

5.3.44 **Marginal increases in number of registered and licenced fishers, while registered and licenced vessels declined.** Of the approximately 21,937 registered fishers at March 2014, only 3,091 were licensed, a non- compliance rate of 86 per cent. In addition, of the 6,411 registered vessels, only 105 were licensed, a non-compliance of 98 per cent. The audit did not identify any concerted efforts made by FD, since our 2008 audit, to ensure that fishers comply with the Fishing Industry Act that requires all fishers and vessels to be registered and licenced. FD was also unaware of the number of unregistered and unlicensed fishers and vessels operating in Jamaican waters. FD advised that it would have to undertake a census to obtain the precise number of registered and licensed fishers and vessels. However, it did not have the financial resources to carry out such census.

5.3.45 FD had indicated that the promulgation of a revised Fishing Industry Act would facilitate the sustainability of the country's fishing industry. FD responded in 2009 that the "*The New Fisheries Act is in an advanced stage of development and the draft Bill is currently being finalized by the Chief Parliamentary Counsel. The new act is scheduled to be tabled by the Ministry of Agriculture and Fisheries before the end of the 2009 calendar year.*" However, at December 2014, the draft Fishing Industry Bill was still with the Chief Parliamentary Counsel.

Key Finding No. 2 from the 2008 Audit

5.3.46 Lack of staffing and financial resources negatively impacted the effectiveness and efficiency with which monitoring, control and surveillance (MCS) and enforcement activities were conducted. Inefficiency was noted in the record keeping and reporting on MCS activities.

5.3.47 **The capacity of FD to carry out MCS and enforcement activities continues to be limited.** FD does not have in place a Compliance Unit and relies heavily on their enforcement partners. However, FD indicated that the enforcement partners have expressed concerns because of the significant resources expended in apprehending fishers and prosecuting them for the very low level of fines. Current maximum fine stands at $1000, while the annual license fees for recreational activities and fishers stands at $4000 and $1500, respectively.

5.3.48 Further, we were unable to determine the level of monitoring conducted during the 2009 to 2013 lobster closed seasons, as the requisite reports for the period were not presented, despite being requested. FD indicated that its fisheries officers had to curtail inspections at hotels and food establishments during the closed seasons for lobsters due to cash flow challenges. However, we noted that a closed season report for lobsters was prepared for 2014. Consequently, there was no assurance that fishers were complying with Fishing Regulations, including the use of legal fishing gears.

Key Finding No. 3 from the 2008 Audit

5.3.49 The objectives of Whitehouse Fishing Complex to make the Whitehouse fishing beach a prototype for a self reliant and sustainable small scale fishing industry was not accomplished.

5.3.50 **The management of the Whitehouse Fishing Complex has worsened since 2008.** In keeping with our recommendation, FD reactivated the Management Committee in May 2012 but the Committee became nonfunctional two months after, July 2012. We noted that of the $3.1 million fees payable for the period 2011-2012 to 2013-2014, only $48,500 (1.6 per cent) were collected, while FD spent $6.7 million for salaries for seven officers. The other operational costs were not presented, despite our request.

Key Finding No. 4 from the 2008 Audit

5.3.51 The Division lacked the necessary resources to undertake extensive and comprehensive research activities.

5.3.52 FD has undertaken 12 new research and development projects, four were completed, seven on-going and one outstanding since the previous performance audit. The Fisheries Management Development Fund provided 100 per cent funding for ten of the projects while, one is funded by the Government of Jamaica and the other jointly funded by GOJ and a donor agency. FD reported that lack of budgetary resources prevented the completion of three of the four projects that were on hold during the 2008 audit period.

Table 8:

Name of research project	Situation as at 2008 audit	Status as at November 2014
Oyster Punch	The Scientific Research Council (SRC) was contracted to redesign and standardize the punch as a shelf stable product.	Completed. However, FD may explore the possibility of selling the formula, as it would not be feasible to produce and market product itself.
Fish feed formulation	Insufficient funding prevented the completion of the project and there was no timetable in place for the completion	No further work due to lack of resources
Diamond Back Squid	The project was placed on hold due to insufficient funding. FD was unable to indicate what plan was in place for this project	No further work due to lack of resources
Fish Aggregating Device	The original device developed was destroyed. no other such device had since been built or deployed	No further work due to lack of resources
Source: AuGD's		

Key Finding No. 5 from the 2008 Audit

5.3.53 Financial information was not captured under the specific activities, which made it difficult to ascertain the associated costs. Insufficient biological and catch information hindered informed decision-making on the status of lobster fishery.

5.3.54 **FD information management system continues to be weak.** As observed in the 2008 audit, FD was not collecting sufficient information on fishing activities to give a true representation of the number and species of fish and lobster landed by fishers. FD indicated that they had to reduce data collection from twice to once weekly due to financial constraints. Consequently, FD is not able to have a reasonable appreciation of the country's fish and lobster stock. We also found that there was need for improvement in FD's storage, filing, and retrieval of records processes. For instance, FD could not locate the related reports for the 2009 to 2011 lobster closed seasons. Further, fisheries officers were not preparing the requisite reports detailing their monthly activities.

Key Findings No. 6 from the 2008 Audit

5.3.55 An in-effective system of communication was noted, as the public awareness community outreach meetings were limited to eleven (11) beaches and only 588 fishers and vendors attended. The inability to educate a wide cross section of the fishing community may result in the continued infringement in the industry.

5.3.56 **Since the 2008 performance audit, there has been no improvement in FD's system of communication.** We found that FD continues to restrict its public awareness activities to issuance of notification of closure of conch and lobster fishing season and participation in commemorative events such as International Fishermen's Day and agricultural shows.

CONCLUSION

5.3.57 FD is challenged to implement the recommendations outlined in the Performance Audit report (2008) due to delays in effecting proposed legislative changes. These include the promulgation of the revised Fishing Industry Act and executive agency status to strengthen its enforcement powers and improve compliance within the fishing industry. FD has reported marginal increase in number of registered and licenced fishers, while registered and licenced vessels declined. However, FD has undertaken 12 new research and development projects since 2008, aimed at gathering information on aspects of Jamaica's marine fishery.

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Section 6:
ACTIVITY BASED AUDITS

ACTIVITY-BASED AUDITS

6.1.1 In keeping with its mandate to promote a better country through effective audit scrutiny of government operations, the Department has been placing greater focus on reviewing business activities of Ministries, Departments and Agencies (MDAs) through Activity Based Audits (ABAs). These are hybrid performance audits on a smaller scale which involve the examination of significant business activities consistent with the risk based approach to auditing. They are designed to determine whether management of the MDAs has implemented a robust system of control to guarantee the achievement of its overarching objective or mandate.

6.1.2 We conducted our Activity Based audits in accordance with the standards and guidelines promulgated for performance auditing issued by INTOSAI. The selection of the business activity to audit was informed by our thorough understanding of entity. We then conducted an assessment of the key risks and developed an issue analysis with specific focus placed on the core business activity of the entity.

6.1.3 At the end of the 2013 year, the department conducted a comprehensive training exercise for Activity Based Audits. This was in line with the drive to build institutional capacity. The department also continued its cross training measures. These strategic measures resulted in the department being able to increase the amount of ABAs conducted.

6.1.4 Table 9 shows that, within the year, the Department planned 23 Activity Based Audits, 20 of which were completed as at December 12, 2014, one was cancelled and two were postponed until 2015.

Table 9: Status of Activity Based Audits for 2014

Audits Planned	Audits Executed	Reports Dispatched	Audits Cancelled	Audit Postponed	W.I.P	Performance Target Achieved
23	20	19	1	2	1	87%

HEAD 1500 – OFFICE OF THE PRIME MINISTER

JAMAICA ANTI-DOPING COMMISSION (JADCO)

6.2.1 Jamaica Anti-Doping Commission (JADCO) operates as an agency under the Office of the Prime Minister. It was established by the Anti-Doping In Sport Act, 2008 as the National Anti-Doping organization. JADCO, in executing its mandate of ensuring a dope-free environment in Jamaica, adopts the principles of the National Sport Policy through fairness, fair play, accountability, respect, trust, honesty, hard work and healthy living.

6.2.2 To accomplish these principles JADCO conducts regular testing of national athletes and provide intensive educational activities and materials beneficial to its stakeholders and for the good name of Jamaica as a whole.

6.2.3 In our audit, we assessed whether:

- The Board of Commissioners was properly constituted, ensured that strategic policies and decisions were determined and reported to the Minister on the performance of the entity;
- Adequate frameworks and procedures are employed in conducting its operations to ensure anti-doping in sport in keeping with the Anti-Doping in Sport Act and WADA Code an;
- Stakeholder relationships are managed effectively.

KEY FINDINGS

6.2.4 **The Board did not implement a Board Charter**. Corporate Governance Framework for Public Bodies states that each Board must have a Board Charter which defines the roles and responsibilities of the Board including its responsibilities for corporate governance and its code of ethics. At the time of the audit the Board had not adopted a charter. In addition, the draft Administrative Policy and a Procedures Manual that were submitted to the board in July 2011 were not considered for approval by the Board. Failure by the Board of JADCO to adopt a charter and approve the Administrative policy and procedural manual may impair its own understanding of the Boards role and responsibilities.

6.2.5 **Overpayment of board fees and salary.** In keeping with the Ministry of Finance Circular, the board of JADCO should be categorized as Category 2 Group 2 attracting fees for the Chairman of $7,500 - $9,500 and members $4,000 - $5,500. However, the Chairman and members were being paid as category 2 group 1 and paid $12,500 and $7,500 respectively, resulting in net overpayment of $175,000.00. In addition to this, JADCO failed to advise the Salary Unit of Office of the Prime Minister (OPM) that an officer had demitted office on August 16, 2013 resulting in salaries overpayment to $109,291.07. JADCO has since taken steps to recover the overpayments.

6.2.6 **JADCO has taken steps to strengthen its Testing and Monitoring Program.** Clause 11.3 of the International Standard for Testing and Section 4 (G) (ii) of the Anti-Doping in Sport Act 2008 requires athletes whose name are entered on the Commission's Registers Testing Pool of international-level and national-level athletes, to file quarterly "whereabouts" information which specifies on a daily basis the locations and times of where they will be residing, training or competing. Athletes who fail to file should have a "filing failure" made against them. Our review of the Executive Director's Report for the months of July, August and September 2014 showed that of the 99 athletes in the National Register Testing Pool (NRTP), 23, 18 and 13 athletes respectively had not submitted their whereabouts information. We found that prior to reporting filing failures against these athletes; JADCO undertook an exercise to notify all athletes of their inclusion in the NRTP and to remind them of their whereabouts filing responsibility. We noted that as at September 30, 2014, 70 notification letters were sent to athletes via courier services; Federal Express (FedEx), Norbrook Package as well as deliveries by JADCO itself. Delivery slips were signed and returned to JADCO. JADCO informed us that the athletes had to personally receive the notification to prevent any future claim of non-receipt of notification. As at September 2014, three filing failures were asserted against athletes.

RECOMMENDATION

In order to improve the efficiency of the Doping Control process, and effectiveness of the management of its operations, JADCO should consider adopting the following recommendations:

Weaknesses in Governance. JADCO should, on an ongoing basis, review its governance structure with a view to implementing measures that ensure there is strict adherence to the code of conduct and that there is strong oversight. Also, the Board should move quickly to ensure that timely approval of the procedural manual and administrative policy is finalized and implemented.

JAMAICA SOCIAL INVESTMENT FUND (JSIF)

6.2.7 Jamaica Social Investment Fund manages several major projects including the Basic Needs Trust Fund (BNTF), the Japan Social Development Fund(JSDF), the Rural Economic Development Initiative (REDI), Community Investment Project (CIP), PetroCaribe Development Fund and the Inner City Basic Services for the Poor (ICBSP) project. These projects represent special interventions of the Government of Jamaica in partnership with multilateral funding agencies to improve quality of life and access to basic services in poor and vulnerable communities in Jamaica.

6.2.8 Within each of these major projects are sub-projects amounting to over 200 for which JSIF is responsible for delivering. There is 18 years of institutional experience of JSIF in the role of planning, organizing, monitoring and control of these sub-projects. During this time, the organization has accumulated important know-how and competence, as well as systems for process-driven services and operations. For this work, JSIF brings together diverse professionals (social officers, engineers, quantity surveyors, environmental specialists and specialists in finance, procurement and information systems).

6.2.9 In our audit, we assessed how effective, efficient and economical JSIF is managing sub-projects. Specifically, the audit examined whether:

- the sub-projects were sufficiently planned for successful implementation;
- effective measures were adopted to ensure the proper execution of sub-projects; and
- there was an efficient monitoring and evaluation system in place.

KEY FINDINGS

6.2.10 **Weaknesses in JSIF's planning process resulted in non-commissioning of sewage system and termination of projects.** JSIF's lack of proper coordination and liaison with the National Works Agency, along with JSIF not ensuring that commitments of the other implementing agencies were documented; resulted in a drainage system constructed at a cost of $57.4 million not being commissioned. Further, Professional fees of $330,000 had already been incurred when another project - Marketing for Agricultural - was terminated. The termination resulted from a dispute regarding the ownership of the land, which was slated for the project. This may be the result of poor planning activities as one of the conditions for JSIF to implement projects is that land ownership must be clearly established beforehand. JSIF indicated that they have since reviewed their procedures to include the purchase of land titles directly from the National Land Agency.

6.2.11 We identified an additional four projects that were terminated after professional fees of $7 million had already been incurred for design. Contributing factors, which led to the terminations included insufficient community support, inability to complete project within the donor agency slated timeframe and inadequate funds to take project through implementation phase. In one instance, the donor agency's funds were limited; while there was a delay in the release of funds from Ministry of Finance in another.

6.2.12 **JSIF's method of monitoring consultants does not always include a written report on assessment of their work.** JSIF is responsible for supervision and monitoring functions of all sub-projects. To assist in these functions, JSIF engages consultants to supervise construction works. The consultants are expected to oversee the implementation of designs, monitor contractors' activities on site, and performing different tests to check the quality of the works. Additionally, they prepare progress reports and final accounts of the projects. Despite the effectiveness of the quality assurance being largely determined by how well the consultants have fulfilled their duties, there is no written report showing whether JSIF assessed the performance of all consultants in order to satisfy itself that the quality of the conducted infrastructure works met the planned objectives. This indicates that there may be no systematic monitoring of the consultants' performance. JSIF assured us that they are working on improving their procedures so that evaluations can be completed in a timely manner.

6.2.13 **JSIF's management information system does not provide some information essential to decision making.** JSIF developed a management information system (Fund Manager) that tracks the projects milestones and financial progress. This system is recognized for its ability to support JSIF's management of its complex portfolio. The system computes the average time lags between different milestones from submission of proposal, project development, execution and completion of project. However, it is not configured to capture the reasons for the lag between milestones. Consequently, the system does not provide relevant data on which to base decisions.

6.2.14 Further, JSIF was unable to provide us with an accurate report on the timeliness and cost of its sub-projects. JSIF advised us that system errors within the Fund Manager programme have impacted the reliability of the report generated by the system.

6.2.15 From an organization perspective, understanding the status of all projects is a key element of planning and administration. Having this information readily available to JSIF's senior management, donor agencies and other external stakeholders requires a management information system that produces relevant, current and reliable information. JSIF agreed that the system needs improvement and will be taking steps to address them.

RECOMMENDATIONS

To improve the efficiency and effectiveness of the management of projects, JSIF should consider adopting the following recommendations:

The JSIF should institute a capital project planning process that ensures all the necessary resources for the successful implementation of projects are in place. JSIF should also employ appropriate systems to facilitate the appropriate consultation monitoring, controlling and reporting of all project activities. Further, JSIF needs to ensure that the requisite prior approvals are obtained from the relevant agencies and appropriate due diligence is conducted for all projects prior to implementation.

The full report may be viewed on the attached Compact Disc (CD).

HEAD 2000 – MINISTRY OF FINANCE & PLANNING

PETROCARIBE

6.2.16 In 2005, the Governments of Jamaica and the Bolivarian Republic of Venezuela entered into a bilateral agreement (PetroCaribe Energy Cooperation Agreement), in which they agreed to convert a portion of each payment for the purchase of petroleum products into a long-term concessionary loan. To manage loan funds flowing to the Government of Jamaica under the PetroCaribe Energy Cooperation agreement with the Government of the Bolivarian Republic of Venezuela, the PetroCaribe Development Fund (PDF) was established in 2007 by way of amendment to the Petroleum Act.

6.2.17 We conducted an Activity-based Audit to determine whether PDF is managing its resources effectively and efficiently to achieve its core business objectives.

KEY FINDINGS

6.2.18 **Central Government's assumption of loans of public bodies.** The Government of Jamaica (GOJ), through the Ministry of Finance and Planning (MoFP), has assumed the loans of four public entities, which are experiencing financial difficulties. Since July 2010, the MoFP assumed debts with outstanding balances totalling US$549.8 million for the four public entities. The public entities are Sugar Company of Jamaica Ltd (July 2010), Air Jamaica Ltd (March 2012), Wallenford Coffee Company Ltd (September 2013) and Clarendon Alumina Production Ltd (CAP) (March 2013). Further, while the GOJ has not assumed the loan of the National Road Operating Construction Company (NROCC), it has started to service the loan with effect April 2014. NROCC had outstanding principal of US$84,049,228.05 and interest of US$1,098,906.70 as at March 31, 2014.

6.2.19 With the exception of CAP, our examination revealed that all the required commitment fees have been collected by PDF for the period April 2012 to July 2014. CAP has not made any payment in relation to the commitment fees totalling US$225,000. PDF reported that all of CAP's loan obligations to PDF have been taken over by the GOJ with effect from March 2013 and the first payment on the loan is due in September 30, 2016.

6.2.20 **Instances of commitment fees charged at less than the approved policy rate.** For the period April 2012 to July 18, 2014, we noted instances whereby commitment fees for some borrowers were being charged at less than the required 0.5 per cent. We noted that for 17 loans granted during the period, PDF applied a commitment of 0.2 per cent for six of these loans, and a rate of 0.25 per cent for four. This resulted in commitment fees being reduced by US$3.75 million. Management indicated that the Board of Directors made a determination on each loan case whether to apply a lower commitment fee rate. However, the Loan and Grant policy does not speak to any discretion being applied to the commitment fees, and therefore PDF's Board is in breach of its own policy by applying a lower rate than that which is stipulated.

6.2.21 **PDF has been inconsistent in obtaining security or Cabinet approval for loans.** Section 3 of the Lending and Grant Funding Policy states, *"Collateral Security must be obtained from the borrower prior to disbursement to provide ultimate protection from the risk of default. Acceptable Security can be in the form of land, equipment, debt instruments (Government) and Government of Jamaica guarantee. Where there are no securities available, Cabinet approval for the entity to access financing from the Fund is required, along with confirmation by Cabinet that the fund will be fully compensated in the event of the loan default".* We found that unsecured loans amounting to approximately US$100 million were made to four entities and PDF reported that Cabinet approvals were not obtained. One of the loans was subsequently assumed by the MoFP. PDF explained that credit assessments done for two of the entities disclosed good debt service record.

6.2.22 **PDF does not have a formal risk management framework.** PDF recognizing the need to institute a formal risk management policy to guide the development and implementation of risk management strategies engaged the services of consultant for a fee of US$84,000.00 (plus GCT) to undertake this activity. The consultant has since been paid the Jamaican equivalent of US$48,930(incl. of GCT). However, arising from the Boards concerns in relation to intellectual property rights and other issues, PDF has not accepted the draft document submitted by the consultant. PDF's Board has sought the opinion of the Attorney General to resolve this matter.

RECOMMENDATIONS

To improve the efficiency and effectiveness in the management of its resources to ensure viability, PDF should consider adopting the following recommendations:

1. The practice of applying less than 0.5 per cent commitment fees on particular loans is not in keeping with PDF's established policy. PDF's Board should ensure that all its approvals are in keeping with the related policy.

2. PDF has granted loans for which security was not obtained. We therefore implore the Fund to take the necessary steps to have the particular entities provide the appropriate security, and to ensure that all future loans are supported by adequate security or obtain the requisite Cabinet approval in keeping with the Lending and Grant Funding policy.

HEAD 2011 – ACCOUNTANT GENERAL

CENTRAL TREASURY MANAGEMENT SYSTEMS (CTMS)

6.2.23 The Central Treasury Management System (CTMS) is implemented to enable better management of public resources, in particular cash by bringing the treasury management function under one agency, the Accountant General's Department (AcGD). The system is an electronic one, and aims to eliminate the duplication and inefficiencies in the cash management function. Consequently, an account referred to as the Treasury Single Account (TSA) was established in the Bank of Jamaica. The implementation of the CTMS required upgrading the government accounting financial management system (FinMan) used by over thirty (30) Ministries, Departments & Agencies (MDAs) and the coding and deployment of a Treasury Management Module (TMM) to be used by Accountant General's Department (AcGD).

6.2.24 An information systems review of the general and application controls of the operations of the CTMS was commissioned to determine whether adequate systems, policies and procedures were in place to preserve the integrity of the system and to achieve its business objectives. We also assessed the effectiveness of the control environment and its impact on the MOFP/AcGD's mandate and level of service delivery.

KEY FINDINGS

No Risk Management Strategy

6.2.25 Our review revealed that AcGD does not have a risk management strategy to identify, analyse, respond to, and monitor the risks that threaten the reliability of the CYMS. These risks include disruption in service delivery due to a weak IT control environment and inaccurate and untimely funds transfers. The AcGD's mandate to provide timely and accurate payments and information is critical to the functioning of the public sector and to the government meeting its obligations to creditors and other stakeholders. AcGD's failure to implement a risk management strategy could compromise the achievement of its mandate.

Absence of Business Continuity Plan (BCP)/Disaster Recovery Plan (DRP)

6.2.26 The AcGD has not completed for implementation its Business Continuity/Disaster Recovery Plan to manage the impact of unplanned service disruption. Further, we noted that the draft Plan did not address critical issues such as, periodic testing procedures to ensure that the Plan remains relevant and effective in the event of a disaster. We also found that the draft Plan did not adequately address the issues of relocation sites, details of equipment needed or available in the event of a disaster, applications and critical systems essential to service delivery and vital staff information. Additionally, details of suppliers, service level agreements and guidance on dealing with occurrences and the impact of hacking were not clearly addressed. The absence of these vital elements could lead to an extended, unplanned service disruption in the event of a disaster.

6.2.27 We noted that the AcGD did not conduct any fire drills up to the time of audit despite this being the subject of a Jamaica Fire Brigade's report based on a review of the AcGD. We also found that the AcGD did not sensitize staff on standard operating procedures in the event of a fire to protect personnel, infrastructure and IT resources. Furthermore, none of the alarm systems were operational throughout the building. This increases the risk of major damage to CTMS resources, other IT infrastructure and disruption in the event of a fire.

Inadequate change management controls

6.2.28 We found that the MoFP did not have a documented change management policy to control the authorization, testing, and implementation of changes to the Central Treasury Management and Financial Management systems. Additionally, there was no evidence that all critical software updates were tested before implementation. The lack of a formal change management policy increases the risk of unauthorized changes to the CTMS.

6.2.29 Management has since advised that formal procedures for changes and enhancements will be developed by the end of the calendar year.

PHYSICAL AND ENVIRONMENTAL SECURITY

AcGD has no system in place for the disposal of sensitive information

6.2.30 We noted that the AcGD did not maintain any record of the information stored on hard drives that were no longer in use. Also, the storage of these drives was inadequate. Exhibit 1 below shows that the AcGD kept obsolete hard drives in the Information Management Unit (IMU) on shelves that were not labeled or secured. Confidential or sensitive information, which is improperly disposed of, could result in unauthorized disclosure, which could pose a threat to the AcGD's operations.

Exhibit 1 - *Photograph showing obsolete hard drives in the Information Management Unit on unsecured shelves*

Source: *AuGD File Photos*

6.2.31 Management has since advised that a policy on the disposal of IT devices, media and electronic data would be developed in consultation with Ministry of Science Technology Energy and Mining, Ministry of Land, Water, Environment and Climate Change, eGov, and the National Solid Waste Management Authority.

Access Controls and Network Security

6.2.32 Access controls within the AcGD's network and CTMS database were inadequate to protect against unauthorized access as outlined below:

Lack of an access control policy document

6.2.33 We found that AcGD does not have an access control policy that clearly defines roles, responsibilities and procedures for access rights, prevention of improper modifications and ensuring the legitimacy of users. For example, our review revealed that AcGD does not have a policy regarding the attachment of storage devices to workstations throughout the organization. This reduces the accountability within AcGD's IT environment and could lead to unauthorized replication and compromise of the network with malicious codes[1] causing irreparable damage to CTMS, other servers and computer systems. Management has since indicated that a Policy will be drafted by December, 2014.

Account management deficiencies in the CTMS user console

6.2.34 We identified four accounts that did not require passwords to log in to the CTMS database. Further, up to the time of audit, we were unable to verify the identity of one of the account holders who has super user access. Subsequent to the audit, the MoFP advised that this account was created in error in 2012; and has since been deleted.

6.2.35 Additionally, we identified two unassigned accounts that were active at the time of audit. One of these accounts was an administrator account, which did not require a password for access to the system. Though we did not observe any activities on these two accounts, the accounts could be used to circumvent access controls. This also undermines CTMS' internal control mechanism and increases the risk of unauthorized access.

6.2.36 Steps have since been taken to remove the two unassigned accounts and strengthen the controls to the use of passwords.

Activities of system administrators not effectively monitored

6.2.37 Our review disclosed that AcGD did not implement a system to monitor or report on system activities of its privileged users. Further, we observed that other activities such as network monitoring, firewall activity review and review of user accounts were not conducted in accordance with a

[1] *Malicious code* is the term used to describe any code in any part of a software system that is intended to cause security breaches or damage to a system.

specified schedule. Instead, we noted that reviews were performed on an ad hoc basis and the results of the reviews were not documented.

6.2.38 Information technology security best practice dictates that activities on the databases should be logged and privileged users monitored to ensure data privacy and governance. In the absence of an effective monitoring system, this might hinder management's ability to detect irregular activities and other abuses.

Deleted user accounts of former employees

6.2.39 We noted that it was the practice of the AcGD to delete the user accounts of former employees without archiving the related account information for future reference. During our review, we identified 38 former employees whose user accounts were removed from the AcGD network. Consequently, we were unable to review the network/system activities related to these deleted accounts and determine who was responsible for removing them.

6.2.40 Additionally, the AcGD did not consistently maintain the relevant records containing authorization for adding or removing users from its network. This increases the risk of unauthorized access to the Department's network.

6.2.41 Management has since advised us that steps will be taken to disable the accounts of former employees for a specified period.

Contractual Obligations

6.2.42 The contract to develop and upgrade the FinMan Module (uFinMan) and Treasury Management Module (TMM) was varied at a cost of approximately $7 Million in November 2013. However, up to the audit MOFP did not advise the Contractor General of the variation, in keeping with the procurement guidelines. The failure of the MOFP to advise the Contractor General of this variation in a timely manner undermines the accountability process and may prevent the timely scrutiny of such contract by the OCG.

6.2.43 The Ministry has since advised us that steps will be taken to bring the matter to the attention of the Contractor General.

6.2.44 We found that MOFP paid the developer $24.7 Million in respect of FinMan Upgrades without the FSU, AcGD, and eGov signing off on the User acceptance testing report, and the requisite Business Continuity and Disaster recovery procedures and systems in place in accordance with the contract agreement.

RECOMMENDATIONS

1. The Accountant General should take the necessary action to strengthen the accountability process of CTMS operations by ensuring that the monthly and annual reports of the TSA are submitted to this Department in keeping with the Financial Management Regulations.

2. Risk management should be an integral part of good business practice at both the strategic and operational levels. Management should therefore, develop and implement an effective Risk Management Strategy that would include determining the impact of system interruptions, and guide the approach to business continuity. AcGD should accelerate the completion of the Business Continuity/Disaster Recovery Plan to manage the impact of unplanned service interruptions. We also recommend that the AcGD test and document the result of both the backup and business continuity plans on a regular basis. This will ensure that all systems can be effectively recovered; and shortcomings adequately addressed prior to a disaster.

3. We recommend that the AcGD develop and implement a formal change management policy and procedures to provide guidance for changes relating to both internally developed and acquired software, hardware, and network equipment. Further, this policy will ensure that changes are managed in a controlled environment. MoFP should ensure that before changes are effected an analysis is done to determine the precise reason(s) for the proposed change as well as the financial and non-financial cost and expected benefits of the change.

In light of the increase risks relating to the AcGD access controls, management should as a matter of high priority, develop and implement an access control policy in the shortest possible time.

4. AcGD should move urgently to implement appropriate monitoring and review procedures to ensure that the

activities of the privileged users are in keeping with established guidelines. In addition, all network and database activities including firewall activities should be reviewed, on a timely basis to identify threats.

5. Management should take immediate steps to safeguard and put proper controls over the proper functioning of the CTMS by ensuring that the User Acceptance testing for the different phases are appropriately completed and the Business Continuity Recovery plan implemented and signed off by the requisite entities. Going forward the MOFP should ensure that all variations are reported to the Contractor General in accordance with the procurement guidelines.

HEAD 2012- JAMAICA CUSTOMS AGENCY

POST CLEARANCE AUDIT AND COLLECTIONS

6.2.45 The Commissioner of Customs has the responsibility to collect revenues, protect our borders and facilitate trade. This mandate requires the Commissioner to implement policies and procedures to achieve these objectives in an efficient and effective manner. Due to the increase in international trade, the limited documentation to be presented at the time of importation, the short time in which customs officers have to determine the correct classification, customs value and entitlements, it has become an established practice for customs administrators to implement a post-clearance audit unit. Jamaica Customs established its post clearance audit unit in 2000.

6.2.46 Section 19 (8) of the Customs Act empowers the Commissioner to adjust the value accepted by an Officer, within two years from the date of entry of imported goods, where he thinks the value was incorrect. In the event the adjustment results in increase duties, the Commissioner has the right to demand the additional duty payable.

6.2.47 The Post-Clearance Audit Unit (PCAU) is mandated to support Border Management by facilitating trade and to ensure compliance with revenue, health and safety laws and regulations, detect and prevent fraud, and increase the efficiency of customs controls. The PCAU's responsibilities include the verification of declarations and duties paid through periodic reviews of the importers records. Additionally, the PCAU is required to determine whether incentives, such as concessions and duty exemptions, are legitimately and accurately applied in accordance with Section 32(1) of the Customs Act.

6.2.48 We conducted an activity-based audit of the PCAU to determine whether the activities of the unit are performed in an efficient and effective manner. In addition, we sought to determine whether the Collections and Delinquency Unit implemented adequate systems, policies, and procedures to collect duties which are determined based on audit assessments.

KEY FINDINGS

6.2.49 **The scope and coverage of the post audits could be significantly impacted by PCAU's capacity.** The PCA's

Manual states that the Unit is charged with the function to ensure adherence to Customs rules, regulation and procedures, and to support border management. However, we noted a gradual reduction in the number of post auditors in the unit.

6.2.50 On April 1, 2012, twenty-five additional Auditor positions were approved for the PCAU. However, the JCA only utilized 18. Ten positions have been reassigned to officers in other units, whilst eight clear vacancies still exist. Given the staff complement and available competencies, the JCA may be unable to effectively manage the volume of high-risk valuation and compliance cases channeled for post clearance audit.

6.2.51 Our analysis showed that the unit was unsuccessful in completing its planned audits, as performance deteriorated from 77 percent in 2011/2012 to 49.5 percent in 2013/2014. The inability of the PCAU to accomplish planned verifications may result in bottlenecks, which may increase cargo release time and cost. Additionally, cases may be reassigned to other customs intervention methods that may not readily identify valuation discrepancies and revenue losses.

Table 10: Post Clearance Audits completed between 2011/12-2013/14

Financial year	Planned Audits	Audits Completed	Percentage of target completed
2011/2012	248	193	77%
2012/2013	264	140	53%
2013/2014	236	117	49.5%

Source: Jamaica Customs Agency

6.2.52 **Contrary to World Customs Guidelines, the PCAU was unable to provide evidence of the risk analysis conducted in selecting audit cases.** In compliance with the guideline, the PCA Procedure Manual indicates that audit preparations should include a pre-audit survey where there is analysis of basic data, internal and external cross checks and the consolidation of findings to establish risk profiles. Though the PCAU was able to outline the selectivity criteria and importer risk indicators, there was no documentary evidence of the analysis undertaken to determine the level of the risk rating. The AuGD was therefore unable to verify whether resources were appropriately allocated to the importers of highest risk. We noted however, that over the last three years the number of audits resulting in revised assessment declined by 25.

Table 11: Assessments raised from Post Clearance Audits between 2011/12 to 2013/14

Financial Year	Audits Resulting in Assessments	Revised Assessments
2011/12	125	$ 583,456,970.90
2012/13	122	$ 502,206,992.85
2013/14	100	$ 452,465,712.72

Source: Jamaica Customs Agency

6.2.53 Additionally, in accordance with best practices, the risk management unit is responsible for developing risk parameters for routing declarations for audit after the release of goods. This is usually done based on classification and valuation. The policy of the Risk Management Unit (RMU) requires 36 high-risk cases to be routed to the PCA Unit. However, we noted that over the last three years, the number of audits referred to the PCAU had decreased by approximately 38 percent, moving from 31 in FY2011/2012 to 19 in FY2013/2014. We were unable to obtain any satisfactory explanation for the reduction since the RMU did not maintain documentation of the risk analysis conducted or the importers risk profiles. The JCA posited that improved compliance contributed to reduced assessments. However, neither the PCAU nor the RMU maintained any records detailing the improvement in the level of compliance with the customs declarations and clearance operations. In the absence of a formal risk analysis documentation, this may result in high-risk cases inappropriately routed, thereby jeopardizing the effectiveness of the JCA in protecting revenues, ensuring safety, and promoting compliance.

6.2.54 **The JCA has not established sufficient policies to direct the Collection & Delinquencies Unit (CDU).** The detailed procedures which should be carried out in the collection of payments, preparation of the arrears list, issuing of demand notices and conducting legal proceedings, were not documented. Consequently, the Collection Officers may not consistently apply the procedures. For example, Section 21 of the JCA Manual outlines the procedures for cheque collection but in some instances cash is collected.

6.2.55 Contrary to Section 34 of the Financial Management Regulations, the collecting officers did not issue an official receipt at the time the trader/importer made payment; instead, temporary receipts letters are given in some instances. Further, the JCA has not taken measures to ensure the safety of both the funds and the Collection officers. In addition, the JCA is exposed to 'key man' risk, as only one collection officer has the technical knowledge and experience with legal proceedings. Therefore, if this collection officer separates from JCA, activities relating to legal proceedings of the CDU may be severely hampered.

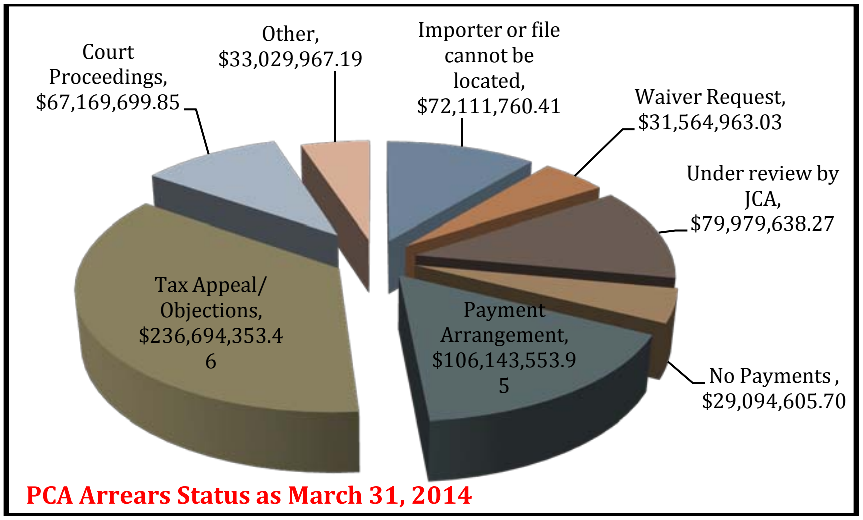
6.2.56 **The JCA did not obtain the approval of the Financial Secretary to collect revenue arrears within 24 months.** Section 42(2) of the Financial Management Regulations states, "Accounting officers and Principal Receivers of Revenue shall ensure that, all revenues due in a financial year is collected within that year and all arrears is collected within the time specified by the Financial Secretary. On the contrary, JCA's guidelines permit arrears to be collected within twenty-four months. However, we were not presented with any evidence that the Financial Secretary's approval was obtained. Our review revealed revenue arrears receivable from PCA assessments of $655.78 Million as at March 31, 2014 aging from March 2008 to March 2014.

6.2.57 Further, we noted that the JCA did not have documented policies and procedures to manage the risk of non-recovery through payment plans. Consequently, the AuGD found inconsistencies in JCA's practices of accepting deposits and payment periods. Despite management's claim that a minimum deposit of 20 percent is required, we found that ten of sixteen importers did not comply resulting in delay collection of $4.95 million. We also found that the payment period for three importers exceeded the JCA's 24 months in the collection for period ranging from thirty-six to forty-one months. In the absence of robust debt collection policies and practices to ensure that collections of arrears are done in a timely manner, there is the likelihood that the amounts might become uncollectible.

6.2.58 **PCA arrears management requires enhancement to ensure that the JCA strategic objectives are achieved.** One of JCA's main strategies is to increase the collection of arrears against the strategic plan. However, there has been no sustained reduction in the arrears. As at March 31, 2014, the arrears from Post Clearance Audit were $655.78 million, showing an increase of approximately 12 percent or $69.76 million when compared to the previous financial year. Collections increased by $151.75 million between 2011/2012 and 2012/2013; however, this success was short lived as there was a 21 percent decrease in the following year.

The seemingly improvement in actual collection against planned collection for 2012/2013 and 2013/2014 when compared to 2011/2012 was attributable to a 49.83 percent reduction in targets rather than increased receipts.

Figure 1: PCA Arrears Status as at March 31, 2014



6.2.59 **The JCA is not aggressively pursuing recovery of arrears.** The JCA's policy dictates that where the importer has made no payment or contact within the stipulated time, legal proceedings should commence against the importer. However, we noted 10 cases where the JCA did not issue summons to importers with arrears totalling $107.32 million. These importers made little or no payments and, in some instances, they did not contact the JCA. We also noted that 77 percent or approximately $83M related to audits conducted more than three years ago; this increase the likelihood of the outstanding amounts becoming uncollectible or costly to collect. Furthermore, because the JCA does not charge interest and penalties on outstanding amounts, the government will be unable to recover the value lost from inflation, if the amounts are eventually collected.

6.2.60 We also investigated 15 motor vehicle concession cases with $6.71 million in arrears. The JCA asserts that the importers cannot be located. Of 15 cases, the JCA was unable to provide nine case files to support assessments totalling $3.71 million. For the six files presented, we found that only the first demand notice was issued and the strategies employed by the JCA were limited to visits of the importers last known addresses, and communication via telephone and email.

6.2.61 On the contrary, our review of the Tax Administration Jamaica (TAJ) systems revealed that six of the importers were actively conducting motor vehicle transactions. Further investigations disclosed that the concessions on the motor vehicles were not registered for three of the importers who had arrears of $945,018, and three taxpayers were inactive. The status of the remaining three importers is unknown, as the JCA did not state the Tax Registration Numbers (TRNs) in its collection report and the respective files could not be located.

6.2.62 The JCA's inability to effectively pool its resources with the TAJ and other government entities contravenes customs best practices. Further, the JCA's failure to collect the outstanding funds could result in the amount becoming uncollectible under the Limitation of Actions Act, if the debt is owed for six years.

62.63 **Despite Cabinet's decision to suspend discretionary waivers, the JCA has suspended Collection of arrears from, importers pending waiver approval from the Ministry of Finance and Planning (MoFP).** Despite the suspension of discretionary waiver on taxes and import duties in August 2010, we found that the JCA postponed collection of $47.50 million from 18 importers who applied for waiver subsequent to the Cabinet decision. At the time of reporting, the MOFP did not provide a formal response to indicate the status of these applications.

6.2.64 We noted that the JCA demanded the outstanding amounts from these importers between May 2011 and February 2014. However, on March 31, 2014, only $4.68 million was recovered from six importers. The JCA's failure to take legal actions may impair the collectability of the outstanding revenue, as it may become statute barred. Further, the JCA's ability to collect the funds may also be diminished if these businesses are closed.

6.2.65 **The JCA was exposed to revenue losses of $16.25 M due to poor file management.** During our review, it was revealed that 14 case files with assessments and penalties totalling $16.25 million were misplaced in a relocation exercise. The JCA was also unable to provide any evidence of investigations conducted to confirm the circumstances under which the files were misplaced. Despite requests, the JCA has not informed the AuGD of the controls implemented to prevent recurrence and to ensure the safety of its records. Additionally, the JCA has not reported this loss to the AuGD and the Financial Secretary in keeping with the FMR to cause an independent investigation to determine culpable officer(s).

6.2.66 **The Collection and Delinquencies Unit (CDU) system of internal checks did not identify the inaccuracies in its arrears record.** Our review revealed that there is a need for improvement in the system of internal checks over the preparation of the arrears list/report to ensure that all errors are identified. On a monthly basis, the CDU prepares a collection report showing the assessment, opening balance, monthly payments and closing balance for all arrears cases as a part of its performance report. However, despite an independent review, the report still presented errors owing to omissions and computation.

RECOMMENDATIONS

In order to strengthen the Post Clearance Audit function prior to the full implementation of the risk management framework, the JCA should consider adopting the following recommendations:

1. **Enhancing Post Clearance Audit Capacity.** Given the staffing limitations, the JCA should determine the number of audits that can be reasonably completed by the current Post Clearance Auditors. Having performed the analysis, the PCAU and the Risk Management Unit (RMU) should refine the risk parameters to ensure that only the quantity of high-risk cases that can be handled by the PCA staff are channeled through the 'blue lane'. Where there are increased valuation and compliance risks, the JCA should identify and train Customs Officers with the requisite aptitude to perform PCA duties pending improvements in the compliance rating. Additionally, the PCAU should review its processes to identify and mitigate any other inefficiency that may hinder the attainment of its performance targets.

2. **Develop, document and monitor importer risk profiles.** The JCA should develop, document and monitor importers' risk profiles to ensure that resources are consistently assigned to the areas of highest risk. By developing and circulating the respective importer profiles, the Agency would be better able to target non-compliant or high-risk traders thereby reducing the risk of illicit imports/exports and ensure the protection of

revenue. The JCA should also design a structured system whereby risk analysis is documented and audit findings forwarded to the Risk Management Unit for inclusion in its risk analysis and profiling processes.

3. **Establish robust collection policies and procedures.** The reduction of the JCA's revenue arrears is dependent on the effectiveness of its collection and delinquency policies. As a result, the JCA should seek to adopt international best practices such as the levying of interest charges on outstanding amounts and late payment penalties to encourage timely payments. Interest charges will also compensate the government for the immediate loss of the use of funds. The JCA should seek to regularize its collection practice by obtaining the Financial Secretary's approval for the extended payment arrangement to ensure the full recovery of arrears in the short term. Additionally, the JCA should document and enforce its deposit and payment period policies to reduce inconsistencies.

4. **Increase enforcement procedures**. Currently, enforcement procedures are restricted to legal proceedings which, though effective, are timely and costly. Consequently, the JCA should implement stringent measures to force delinquent importers to honour their obligations. For instance, the JCA could pool resources with the Tax Administration Jamaica to prevent tax refunds, issue of tax compliance certificates and motor vehicle document renewal. The JCA should also collaborate with the TAJ to ensure that vehicles imported at concessionary rates are registered on TAJ's Motor Vehicle Registration System to prevent sale or transfer prior to the payment of the outstanding duties. Additionally, the JCA should seek to obtain legislative powers to seize and restrict the importing/exporting of goods by all delinquent traders and taxpayers.

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

6.2.67 The mission of the Ministry of Labour and Social Security (MLSS) is to "promote a stable industrial climate through tripartite dialogue, ensure the highest standards of occupational safety and health at the workplace, facilitate increased access to employment, and effectively manage social protection programmes including those for groups with special needs such as households below the poverty line, the elderly and persons with disabilities". MLSS is mandated to provide to all sections of the populace; social security and welfare services; educational affairs and services; and labour relations and employment services. The services incorporate explicitly industrial safety, employment, promotion, providing an income for workers injured on the job and retirement benefits.

6.2.68 Our audit of the MLSS focused on the procurement of goods and services; payment vouchers; emoluments; grants and fixed assets, covering the period 2011-12 to 2013-14. The audit sought to determine whether MLSS is complying with established regulatory framework and applicable Government of Jamaica (GOJ) procedures and guidelines.

KEY FINDINGS

The Ministry failed to carry out monitoring of grants disbursed

6.2.69 MLSS did not perform the monitoring, evaluation and reporting requirements concerning the progress of entrepreneurial and rehabilitation projects, for Grants of $1.34 million made to 19 applicants. Consequently, the Ministry was unable to confirm whether the projects were successful. Further, MLSS, contrary to its Rehabilitation Programme Policy, did not ensure that the applicants submitted the requisite business plans needed to assess the viability of the projects. The MLSS accepted the audit findings and indicated that they were unable to effectively monitor the grants due to both human and financial resource constraints. The MLSS further indicated that the MoFP recently approved a new staff structure for the Social Intervention Programme to take effect April 1, 2015, and this should allow for improved monitoring. MLSS also advised that efforts would be made to modify the Rehabilitation

Programme policy to include a project proposal rather than a business plan.

MLSS disbursed grants without approval of Appeals Committee

6.2.70 MLSS Rehabilitation Programme Policy and Procedures states that the Appeals Committee should approve all grants. However, MLSS disbursed 63 grants valued at $1,390,070 to beneficiaries without the required approval of the Appeals Committee. Failure to ensure that all grants are approved by the Appeals Committee weakens the integrity, accountability and transparency of its oversight responsibilities.

Entrepreneurship grant made from Deposit account instead of through the Central Treasury Management System (CTMS)

6.2.71 Our investigations revealed that the MLSS did not make payments for the Entrepreneurship grants, and Short-term Poverty Programme through the Central Treasury Management System (CTMS), but instead made such payments through a deposit account. For the financial year 2013-2014, MLSS disbursed payments totalling $101,958,447. However, the MOFP's approval was not obtained for this deviation. This practice not only contravenes the stated policy, but undermines the accountability procedures issued by the MoFP.

6.2.72 Subsequent to the audit, management advised that payments were made through the deposit account due to the risks being experienced. MLSS further stated that it would seek approval from MoFP to regularize the use of the deposit account.

Absence of MOFP approval for employment of consultants /advisors

6.2.73 The Ministry of Finance's guidelines requires MDAs to submit to that Ministry for evaluation and determination of salary; the qualification, and experience of the candidate they wish to employ as Senior Consultant/Advisor, as well as the details of the job to be performed prior to employment. The MLSS engaged over the period February 2012 to September 2014, two senior Advisors/Consultants on contracts amounting to $14.49 million. However, MLSS did not obtain the requisite approval from the MoFP.

6.2.74 The MLSS indicated that the guidelines were misinterpreted and in the future, promised to seek the approval of the MoFP.

RECOMMENDATIONS

1. Management should ensure that the required monitoring, evaluation and reporting activities on projects are carried out to ensure that the objectives are achieved, and where there are deviations corrective measures are taken to streamline them. Management should ensure that the Social Workers, as part of their responsibilities, assist applicants in preparing and submitting a Business Plan in keeping with the Policy guidelines. In order to enhance the transparency of the grant approval process and the strengthening of the oversight function, management should ensure that the Appeals Committee approves all grants in adherence with the established policy.

2. The employment issue raised in this report is a recurring matter. Management should institute appropriate controls that will assist in ensuring compliance with the guidelines for the employment of consultants.

HEAD 4100 – MINISTRY OF EDUCATION

PROCUREMENT

6.2.75 The Ministry of Education (MOE) is the Government's entity responsible for the management and administration of public education in Jamaica. Currently, the MOE carries out the Government of Jamaica's mandate of ensuring a system that secures quality education and training of all citizens of Jamaica in order to optimize individual and national development.

6.2.76 The MOE provides the avenue for enrichment and upward mobility of our people through education. The organization is one of Jamaica's largest public entities and is comprised presently of 11 Agencies, 6 Regional Offices, and a central Office with approximately 40 units, which falls under 5 divisions. These unite to provide the framework for the efficient functioning of over 1,000 public educational institutions that serves over 100,000 students and over 20,000 teachers. The Ministry of Education is also responsible for two public universities, several communities, multidisciplinary, and teachers' colleges.

6.2.77 In our audit, we assessed how effective and efficient the ministry is in managing the procurement process. Specifically, the audit examined whether management of the procurement activities resulted in acquisition of goods and services, which are necessary for the Ministry to accomplish its objectives, and whether assessing the adequacy of the design, effectiveness and efficiency of the internal controls over the procurement processes ensured compliance with the Government of Jamaica Handbook of Public Sector Procurement Procedures.

KEY FINDINGS

6.2.78 **The Ministry did not demonstrate that the activities of the procurement committee were in compliance with** GOJ **Handbook of Public Sector Procurement Procedures.** The absence of proper records of the meetings contravenes Section 2.2.5.1 of the GOJ Handbook of Public Sector Procurement Procedures which states, *"Proper minutes must be recorded and maintained for each meeting. The guidelines also require that the quorum of the meeting should be predetermined by the Chairman and no meeting shall be properly convened in the absence of this quorum."* The minutes of a meeting held June 22, 2011 reflected that the

Chairperson expressed concerns about the non-attendance of members to meetings. At meetings held on February 29, 2012 and July 31, 2013 only two members were present, and recommendations were made to the National Contracts Commission Sector Committee for approval to purchase goods and services valuing approximately $533 million and $17 million, respectively; despite the quorum being 5 (4 members 1 observor). We were informed that nine persons were appointed to the Procurement Committee; however, the related appointment letters were not presented despite our request.

6.2.79 **We found that the MOE's Master Inventory Records was not maintained in accordance with the Ministry of Finance's Control of Government Furniture, Office Machines and Equipment Guidelines**. The records did not contain all the requisite information such as delivery slip numbers, dates of procurement and related costs. Consequently, we were unable to verify whether assets costing J$14,151,688.60 and US$149,006.48, which were procured during the financial years 2011/2012 to 2013/2014, were properly accounted for. The poor maintenance of the inventory also prevents adequate safeguard of Government's assets and could facilitate theft and irregularities.

6.2.80 **Poor planning could result in nugatory expenditure of $32.6 million**. The Ministry purchased an Uninterrupted Power Supply (UPS) for $32.6 million to protect the Ministry's electronic and other equipment from damages due to electrical power surges. However, up to October 2014 the UPS was not commissioned into service. The MOE reported that it did not have the required funds, approximately $163 million, to carry out the work needed to improve the current infrastructure of the buildings to facilitate the installation of the UPS. The MOE was unable to explain the basis for purchasing the UPS prior to ensuring that the requisite resources were in place for the commissioning of the equipment. Consequently, in its current position, being exposed to the elements, the value of the asset is deteriorating without the Ministry realizing any value from the asset.

RECOMMENDATIONS

To improve efficiency and effectiveness, the MOE should consider implementing the following recommendations.

1. The MOE should ensure that all its procurement activities are in full compliance with the Government of Jamaica Handbook of Public Sector Procurement Guidelines. The Ministry should also ensure that the Procurement Committee is properly constituted and insist on the regular attendance of members and that minutes are prepared for all meetings. In addition, the Ministry should prepare and implement a formal policy for the selection of the contractors to supply school furniture.

2. The MOE should immediately update all inventory records and implement guidelines that will ensure that these records are always current. In addition, the MOE should provide this office with the necessary information that will facilitate the verifications of the assets referred to in the aforementioned paragraphs. Further, the Ministry should explore the possibility of selling the UPS if there is no likelihood of the Ministry commissioning the unit within the next three month.

THE ALTERNATIVE SECONDARY TRANSITIONAL EDUCATION PROGRAMME (ASTEP)

6.2.81 The Alternative Secondary Transitional Education Programme (ASTEP) was established in 2011 and emanated from the Competence Based Transition Policy which was promulgated in 2009. The ASTEP is mandated to facilitate an alternative secondary pathway for post primary students who will require special intervention to foster the development of learning competencies, as well as the inculcation of values to make the learners become useful and effective members of society.

6.2.82 We conducted an Activity Based Audit of ASTEP to determine whether:

1. Programmes are designed and managed to enhance student literacy development; and
2. Systems are in place to monitor and assess student literacy development programmes;

KEY FINDINGS

Programme Implementation and Management

6.2.83 **ASTEP impacted by high failure and absenteeism rates for examinations.** For the 2013 sitting, approximately 17 percent or 471 students of the 2,711 who sat the exam, achieved the pass mark of an average 70 per cent and over for the two components; while 23 per cent or 630 were absent from the ASTEP exam.

For the 2014 sitting, MOE reduced the average pass mark to 60 per cent. We found that approximately 19 percent or 514 of the 2,685 students achieved the pass mark, and 691 (26 per cent) students were absent. It should be noted that the number of students (1,321) absent from the exams for both years has exceeded the number of students (985) that have achieved the average pass mark by 336 or 25 per cent. Despite our request, the MoE has not provided us with the the intervention strategies to address both the high level of absenteeism and the low pass rates for the test. In an effort to ascertain a return on the MOE's return on its investment in the ASTEP, we requested the cost to administer the programme, however this was not presented. MOE conducted the first ASTEP examination in June 2012, but the results were not used to assess the students as the examination was not prepared in line with the curriculum. Consequently, a revised curriculum was done by MOE to facilitate a new examination in July 2012. The associated costs for the revised curriculum and to administer the July 2010 examination were not provided.

6.2.84 **ASTEP is without guidance counselling services since April 2013.** We found that since April 2013, the ASTEP programme is without guidance counselling services as the 29 counsellors' employment contracts were not renewed. Based on the stipulated ratio of one guidance counsellor to at least five ASTEP Centres, at least 27 guidance counsellors should be engaged on the ASTEP programme. The absence of guidance counselling services could hinder the identification of the specific needs of ASTEP students and could impact negatively on academic achievement, wellbeing and/or welfare the students. We were unable to assess the impact of the guidance counsellors on the ASTEP programme as the required reports outlining the programmes implemented to positively impact behaviour of the students were not presented.

RECOMMENDATIONS

ASTEP should investigate the high failure and absentee rates for exams with a view to ascertain the reasons for such poor performance to take the necessary corrective actions to ensure that the Ministry attain its goal of 100 per cent and 85 per cent for mastery in literacy and numeracy respectively, by 2015.

HEAD 4200 – MINISTRY OF HEALTH

MANAGEMENT OF CHRONIC NON-COMMUNICABLE DISEASES

6.2.85 The Ministry of Health (MoH) and its four Regional Health Authorities (RHAs) are mandated to mitigate the public health impact of Non-Communicable Diseases (NCDs) in Jamaica. The aim of the programme is to reduce the incidences, morbidity and mortality associated with NCDs and improve the quality of life of patients with NCDs through prevention, early detection, diagnosis, treatment and rehabilitative care.

6.2.86 The audit was conducted to assess whether the MoH had developed a strategy to address NCDs, particularly diabetes, in Jamaica and the extent to which that strategy had been implemented during the period 2008 – 2013.

The Ministry has requested additional time to respond to the findings of this audit; therefore, the report has been extracted and will be tabled seperately.

HEAD 4500- MINISTRY OF YOUTH & CULTURE

NATIONAL CENTRE FOR YOUTH DEVELOPMENT (NCYD)

6.2.87 The National Centre for Youth Development (NCYD) was established in the year 2000. NCYD, the lead agency for youth development in Jamaica, is mandated to facilitate the co-ordination and integration of programmes, services and activities geared towards youth development. NCYD is to recommend and design programmes to enhance and propel youth development. NCYD is a Unit within the Youth Division of the Ministry of Youth and Culture.

6.2.88 Jamaica is ranked at number seven overall on the Commonwealth Youth Development Index (YDI), September 2013, and placing number one in the Caribbean. Jamaica was also ranked number 22 on the Global Youth Development Index (GYDI).

6.2.89 The audit was conducted to determine whether NCYD is utilising its resources to contribute effectively to the development of vulnerable youths in Jamaica – through the strengthening of the overall framework for youth empowerment; and the implementation of innovative youth development programmes and initiatives. The audit focused on research, strategic planning, monitoring and evaluation and the management of youth development programmes.

KEY FINDINGS

Policy Framework: Research, Strategic Planning, Monitoring and Evaluation

6.2.90 The goals outlined in the 2003 National Youth Policy were not fully realized; largely, because NCYD, the oversight body, did not coordinate key directives for the implementation of the Policy.

6.2.91 **Ten years after the promulgation of the National Youth Policy, NCYD has not completed the required National Strategic Plan for Youth Development.** The National Strategic Plan should define how the National Youth Policy goals will be realized, establish monitoring and evaluation mechanisms, provide estimates of the costs associated with the Policy's implementation, the sources of funding, and the timeframe within which each aspect of the Policy will be achieved. NCYD presented a draft strategic plan for period

2005-2010. In addition, the 2003 National Youth Policy mandates that the Policy should be reviewed every five years. The Policy has never been revised although the Ministry of Youth and Culture engaged the services of a Consultant, in September 2012, to spearhead the revision process. The revision process was originally slated for completion in June 2013. However, the scheduled completion date was extended to February 2014. The consultancy is yet to be completed.

6.2.92 **Multi-sectoral Steering Committee to monitor and evaluate the implementation of the National Youth Policy was non-functional.** The Policy named the members of a Multi-sectoral National Youth Development Steering Committee, which should be responsible to monitor and evaluate the implementation of the Policy, facilitate the design of the Strategic Plan for Youth Development and advocate for resources needed to implement the Policy. The Committee is also responsible to guide the required review of the Policy and to meet monthly to monitor and evaluate the process. The Policy also stated that NCYD is responsible for the coordination of the Committee meetings. We found that the Committee has not met since it was established in 2004. Consequently, NCYD is deprived of the expertise and guidance the Committee was intended to offer.

6.2.93 **NCYD did not achieve 53 (48 per cent) of the 111 youth development initiatives in its Corporate and Operational Plans and could not substantiate the 58 (52 per cent) reportedly achieved**. NCYD outlined a total of 111 youth development initiatives, 75 in the 2008-10 Corporate Plan and 36 in the Operational Plan for 2013-14. NCYD did not achieve 53 of the 111 youth development initiatives in focal areas such as, education and training, health, participation and empowerment, care and protection and living environments. For example, NCYD is yet to prepare the requisite Cabinet Submission for a youth employment strategy for companies pre-qualifying for Government contracts. In addition, NCYD also failed to develop and implement a programme to sensitize young people of their rights upon entry into an institution of care. Also, the study on taxi-drivers and school girls to develop strategies to address the issue of abuse remained outstanding. Further, NCYD could not substantiate the achievement of the other 58 initiatives reportedly completed. NCYD indicated that its performance was affected by inadequate budgetary support and structure. We noted that the Ministry of Finance has since approved an additional 32 positions to address the shortage of human capacity.

Youth Development Programmes

6.2.94 **NCYD is not making concerted effort, through its own initiatives or stakeholder partnerships, to develop sustainable programmes targeting vulnerable groups.** The National Youth Policy named NCYD as the lead agency to coordinate the implementation of youth programmes. The Policy mandates NCYD to recommend and design programmes particularly to enhance and propel development among vulnerable youths. The Policy identifies vulnerable groups under six focal areas for priority attention. These vulnerable groups include youths living on the streets, youths with physical and mental disabilities, youths with special needs, youths in institutional care and unattached youths. However, we found that NCYD only designed and implemented one long-term youth development programme – Operation Phoenix. Operation Phoenix was designed to cater for unattached youths through Youth Information Centres (YICs). NCYD does not have in place any other sustainable programme specifically catering to other vulnerable groups. NCYD reported that programmes such as ‘I Say I’, ‘Stop Light Bright’ and Jamaica Youth Ambassadors were developed to cater for specific vulnerable groups. The ‘I Say I’ Youth Development Programme for youths in juvenile correctional facilities, designed in 2012, was not fully implemented. The ‘Stop Light Bright’ programme ceased one year after it was designed in April 2008 to cater specifically to those youths who engage in various activities at stop lights. The Jamaica Youth Ambassadors programme that was developed in 2000 seeks to develop youth leaders to represent the concerns of youths. This programme ceased in 2010. The absence of a structured framework, which should include an organisational structure, strategic action plan, monitoring and evaluation processes and clear goals and objectives may be the reason that led to the cessation of the programmes.

6.2.95 **NCYD has taken steps to implement the “I Say I” programme for youths in juvenile correctional facilities; training of the requisite personnel is required to ensure the sustainability of the programme.** NCYD in collaboration with the United Nations Children's Fund (UNICEF) designed a programme dubbed “I Say I” to engage most-at-risk youths, particularly those currently in juvenile correctional facilities. One of the objectives of the programme is to equip approximately 300 youth offenders with knowledge and skills, through performing arts and sports to assist in their successful re-entry into society. The programme aims to reduce the rate of recidivism[2] among youth offenders. NCYD is responsible for the implementation of the programme in Jamaica's four juvenile correctional facilities. UNICEF committed $10 million in grant funding to the implementation of the programme over a two year period commencing December 2012. NCYD received a total of $5 million, up to February 2013, from which it offset the cost of preparing an empowerment toolkit, creative arts and sports training manual and a baseline performance framework system report. NCYD procured musical equipment at a cost of $93,000 and UNICEF further donated sports equipment to facilitate the execution of the programme. We observed that NCYD allocated some of the equipment to the four juvenile facilities. NCYD informed us that the equipment are being used to provide training to the juveniles in the correctional facilities' on-going rehabilitation programmes. However, we found that NCYD is yet to commence the required training of NCYD, correctional and probation officers to deliver the programme's contents to the juveniles in a more structured manner to ensure sustainability.

6.2.96 **NCYD did not assess the impact of Youth Information Centre (YICs) on unattached youths.** NCYD is not systematically assessing, evaluating and reporting on the impact of YICs on young people in Jamaica. NCYD established the first two YICs in Portmore and Saint Mary in July and November 2003 respectively. Since then, NCYD established eight YICs in other parishes. An evaluation and impact assessment of the Portmore and Saint Mary YICs was done in August 2004. However, no other evaluation or impact assessment was done for YICs. Information obtained from NCYD showed that over the five-year period, 2009 to 2013, a cumulative total of 237,890 young people utilized services and accessed various training programmes provided by six YICs. YICs also referred youths to various educational and training agencies. NCYD did not maintain disaggregated data detailing the number of users who accessed the different training programmes and services and those referred to various agencies over the period. We observed instances in which YICs submit this information, in their monthly reports, to NCYD; however, there is no evidence that NCYD collated and analyzed the data to measure the impact of the various programmes on beneficiaries and monitor the progress of those referred to various agencies. As such, we were unable

[2] **Recidivism** is the act of a person repeating an undesirable behaviour after he/she has either experienced negative consequences of that behaviour, or has been treated or trained to extinguish that behaviour.

to determine how NCYD satisfies itself that YICs were achieving the intended objective and what data informs NCYD operational decisions.

6.2.97 Our analysis of the usage patterns at two YICs, Portland and Saint Ann, shows more male users than female. In 2013, of the total usage of 31,977 youths at the two YICs, 17,807 (56 per cent) were males; while, 14,170 (44 per cent) were females. In addition, analysis of information obtained from the YIC's new recording system which commenced in June 2014, shows a total usage of 6,340 users at six YICs up to July 31, 2014. Of the 6,340 users, 3,878 (61 per cent) were males; while, 2,462 (39 per cent) were females. Further analysis shows that of the total usage of 6,340 users at the six YICs, 3,962 (63 per cent) visited the YICs to use the computer and internet services; with 2,829 (71 per cent) of those being males. This high male usage pattern is a positive development as males are more vulnerable to certain negative behaviours. The high male usage provides NCYD with the opportunity to influence male participation in YIC's training programmes. We were not able to analyse the gender usage patterns over the five-year period, 2009-10 to 2013-14, for all YICs as NCYD did not present the complete set of data.

6.2.98 **Testing of Operations Model for YIC partially implemented.** NCYD and the Inter-American Development Bank (IADB) designed an Operations Model to provide a standard approach for the operation of all YICs. The model focuses on improvements in processes, outputs and outcomes and relies on qualitative as well as quantitative data. Among the strategic directions, outlined in the Operations Model, were the implementation of systems for monitoring, outcomes evaluation and impact assessment. NCYD was to test the Operations Model's seven strategic directions at two pilot sites, Portland and Saint Ann. Following which, an outcome evaluation and impact assessment should be conducted to determine the final design of the YIC Operations Model and the overall Framework for the operation of YICs. The pilot intervention was scheduled to be conducted over eight months, August 2013 to March 2014. However, NCYD did not implement the testing of the Operations Model at the two pilot locations. NCYD only commenced the new recording procedures under the Monitoring and Evaluation System at all YICs since June and July 2014. Consequently, YICs remained without a standard operational framework due to the delay in the testing and subsequent implementation of the full Model.

The new recording procedures require all YIC users to complete a registration form that captures relevant data of each user. In addition, users must sign the daily register and indicate the type of service they require or programme they attend. This would allow NCYD to monitor and assess YICs usage pattern for the various services and programmes.

RECOMMENDATIONS

In order to strengthen the overall framework for youth development and empowerment, NCYD and the portfolio Ministry should consider adopting the following recommendations:

1. **Up to August 2014, a revised National Youth Policy was not in place**. NCYD, along with the Ministry of Youth, should ensure the urgent completion of the revised Policy for submission to the Cabinet for consideration and subsequently, Parliament for approval. Thereafter, NCYD should continue to work with stakeholders to ensure the timely development and implementation of the National Strategic Plan to achieve the Policy goals. The Strategic Plan should include an effective monitoring and evaluation system to allow thorough assessments and reviews of the targeted outcomes and outputs.

2. **NCYD is not fully aware of the impact of YICs on unattached youths and YICs remained without a standard operational framework.** It is an immediate requirement of NCYD to review the need to implement the testing of the full Operations Model on a phased basis in all YICs. NCYD should also ensure the continued use of the new recording procedures under the Monitoring and Evaluation aspect of the Operations Model. NCYD should then collate and assess the data compiled within the first three to six months, with a view to determine the extent to which YICs are impacting vulnerable youths in their communities.

3. **NCYD is yet to fully implement the 'I Say I' Youth Development Programme**. We urge NCYD to urgently coordinate the training of the requisite personnel to execute the programme. NCYD should also continue to dialogue with UNICEF, and where possible other funding agencies, to ensure the sustainability of the programme.

The full report may be viewed on the attached Compact Disc (CD).

HEAD 4551 – CHILD DEVELOPMENT AGENCY (CDA)

6.2.99 The Child Development Agency (CDA) is an Executive Agency under the Ministry of Youth and Culture. The Agency is responsible for providing a stable and nurturing living environment for children who are in need of care and protection. Two of the strategic objectives of the CDA are to ensure the safety, security, growth and development of children and young people in the care of the State, and to ensure quality service delivery through staff empowerment, processes and systems modernization.

6.2.100 The audit was conducted to determine whether the CDA was effectively and efficiently monitoring childcare facilities to ensure that operations and service delivery were in compliance with the Child Care and Protection Act, 2004, the Child Care and Protection Regulations, 2007, and CDA's Guidance and Standard of Care for childcare facilities.

KEY FINDINGS

Oversight and Reporting Responsibilities

6.2.101 **Childcare facilities operated for periods up to 24 months without the requisite licences.** Under the Children's Homes Regulations, 2007, children's homes are required to submit an application for licence along with certain documents. These include a police certificate of clearance, medical certificate; food handlers' permit for the operator and employees, and a report from the Jamaica Fire Brigade (JFB) stating that all the premises were inspected and are safe for use. A the time of the audit 35 of the 48 privately operated childcare facilities were operating without the required licence for periods up to 24 months. CDA explained that they had received 41 applications for renewal of licences but they were awaiting the finalization of an audit that was commissioned in December 2012, to inform the approval process for the licences. CDA further stated that the audit identified certain deficiencies at some of the homes. CDA has since advised that the deficiencies at some homes have been corrected, and 32 licenses have been renewed.

6.2.102 **CDA's oversight Advisory Council not in place.** Section 5(1) (b) of the Executive Agencies Act requires the establishment of an Advisory Board to advise the Chief Executive Officer in the strategic and business planning responsibilities of the Agency. In addition, Section 85(1) of the Child Care and Protection Act, 2004 requires the appointment of an Advisory Council to ensure that the operations of all childcare facilities conform to the Child Care and Protection Act and Regulations, and the relevant standards of care for Childcare facilities. We observed that although the Advisory Board was established an Advisory Council was not appointed, and the Board of Visitors was only appointed on November 3, 2014. The Board of Visitors should conduct inspections at children's homes and report their findings to the Advisory Council**,** and submit annual reports to the portfolio Minister. CDA has advised that the scope of its Advisory Board would be expanded to act as a national body with coordinating and reporting responsibilities for the Board of Visitors. CDA further stated that they had written to the Permanent Secretary, Ministry of Youth and Culture and the chairman of the CDA Advisory Board with respect to the Advisory Council and the requirements for its establishment and was awaiting a decision.

6.2.103 **CDA not preparing the required reports on its performance and the operations of childcare facilities on a timely basis.** CDA was not consistently fulfilling its reporting responsibilities to ensure timely reviews of its performance and the operations of childcare facilities. At September 2014, we found that CDA did not prepare annual reports for the last four financial years, 2010-11 to 2013-14.

6.2.104 **CDA has qualified and competent officers to monitor the operations of childcare facilities and monitoring has improved though the targets were not met.** We noted that CDA's monitoring officers possessed the relevant qualifications, experience and competence to undertake their functions. Additionally, between 2012 and 2014, monitoring officers attended 10 courses that were consistent with their job functions to provide continuous professional development, in order to improve their performance and service delivery (Table **12).** CDA had six officers to monitor the 57 childcare facilities, 48 privately operated and nine state-owned **(Table 13**). Our analysis of CDA's monitoring forms show that monitoring officers were not making the required number of visits at state-operated childcare facilities. In 2011, monitoring officers made 80 (63 per cent) of the targeted 128 visits to eight state-operated childcare facilities. In 2012 and 2013, we observed major improvements in the number of visits as monitoring officers were able to achieve 83 and 91 per cent of the targets respectively. Monitoring officers achieved 78 per cent of targeted visits in the first six months of 2014 **(Figure 6)**.

Figure 12 Monitoring Officers serving Childcare Facilities

Regions	Private Facilities	State-owned Facilities	Total Facilities	monitoring Officers	Ratio Officer: Homes
Southern	8	3	10	1	1:11
Western	9	3	12	1	1:12
North East	2	1	3	1	1:3
South East	30	2	32	3	1:10
Total	**48**	**9**	**57**	**6**	

Source: AuGD analysis of number of monitoring officers to childcare facilities

Figure 13 Analysis of targeted versus actual number of visits at state-operated places of safety and children's homes

Facilities		2011		2012		2013		2014 **(6** months**)**	
		Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
1	Home 6	N/A	N/A	N/A	N/A	N/A	N/A	4	0
2	Home 3	24	13	24	23	24	31	12	13
3	Home 5	24	13	24	19	24	25	12	10
4	Home 7	8	7	8	7	8	4	4	4
5	Home 8	24	17	24	18	24	15	12	12
6	Home 4	24	20	24	19	24	20	12	11
7	Home 3	12	6	12	10	12	14	6	2
8	Home 2	12	4	12	10	12	8	6	1
	Total	**128**	**80**	**128**	**106**	**128**	**117**	**68**	**53**
			63%		83%		91%		78%

Source: CDA monitoring forms

6.2.105 **There was no evidence that CDA was routinely reviewing educational materials in children's homes.** Section 15 of the Child Care and Protection (Children's Homes) Regulations, 2007, places the responsibility on the childcare facilities to obtain the approval from the Minister in respect of educational programmes conducted in the facilities. It is the responsibility of monitoring officers, during their routine visits, to conduct a review and assessment of the educational programmes, to ensure that the programmes are consistent with those approved by the Minister and to report any substantial deviation from the approved curriculum. We reviewed 142 monitoring checklists from 20 childcare facilities, between 2011 and 2014, and found no indication on 113 checklists that monitoring officers conducted any assessment or review of the educational programmes at these facilities.

RECOMMENDATIONS

In order to strengthen the overall monitoring and oversight framework of childcare facilities, CDA and the portfolio Ministry should consider adopting the following recommendations:

1. CDA should institute appropriate systems that require operators of childcare facilities to submit their renewal applications prior to the expiration of their current licence. This would allow CDA sufficient time to conduct the necessary investigations, and renew the licences on a timely basis to prevent Childcare facilities from operating without a licence; which is correlated to CDA's oversight function.

2. We encourage CDA to follow up the issue of the establishment of the Advisory Council with the relevant authority so that this critical oversight function is instituted to ensure that the operations of all childcare facilities conform to the Child Care and Protection Act and Regulations. CDA should also ensure that their monitoring officers have full access to all childcare facilities, including taking legal action where necessary.

3. CDA was not consistently reporting on the operations of childcare facilities. CDA should ensure that all annual reports and quarterly operational reports are completed and submitted to the portfolio Ministry so that the operations of childcare facilities and the functions of CDA can be assessed and appropriate policies implemented to create an atmosphere within which transformation of children in childcare facilities can achieve their full potential in a safe and nurturing environment.

The full report may be viewed on the attached Compact Disc (CD).

HEAD 5100 – MINISTRY OF AGRICULTURE & FISHERIES

RURAL AGRICULTURAL DEVELOPMENT AUTHORITY (RADA)

6.2.106 The Rural Agricultural Development Authority (RADA) is a statutory body established under the Rural Agricultural Development Authority Act of 1990 as Jamaica's chief agricultural extension and rural development agency. It is. The objective of the audit is to determine whether RADA was managing its human and technological resources efficiently to achieve its mandate. The audit was designed to determine whether RADA has in place:

i. an adequate system to assess the effectiveness of extension services in particular the Agricultural Extension Officers; and

ii. a mechanism to ensure that the available technology are being utilized efficiently.

KEY FINDINGS

6.2.107 **RADA Extension Service operating without formal procedures.** Operational standards are basic guideline in ensuring that services are provided in a consistent manner within an organization. RADA provides technical support to farmers in areas such as land husbandry, social services, marketing, livestock and plant health under their extension services. However, we found that RADA has been operating without formal procedures to guide its extension service activities. The absence of standard operational procedures could threaten the sustainability of the programmes and impair RADA's ability to achieve its objectives.

6.2.108 The lack of complete and accurate information could impact the quality of the decisions made, based on information captured on the ABIS.

6.2.109 **Lack of adequate segregation of duties.** We examined travelling vouchers at RADA's parish offices and observed at one office that a senior officer has authorized the payment of eight of his travel claims totalling $215,670 during the period May 2013 to March 2014. Lack of adequate segregation of duties has resulted in the improper authorization of payments.

RECOMMENDATIONS

To improve the efficiency and effectiveness of the extension service delivery, RADA and the Ministry of Agriculture and Fisheries should consider adopting the following recommendations:

1. The development of an operational manual to avoid varying approaches between extension areas and officers. This would also provide clear and consistent approach on extension services delivery. Their existence will aid officers in outlining key steps required for efficient extension service delivery.

2. Facilitate informed decision making to its stakeholders by instituting adequate mechanisms for updating ABIS in a timely manner.

3. Ensure that another senior officer appropriately authorize payment of travelling claims submitted by Parish Managers and all other senior officers.

HEAD 5300 – MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE (MIIC)

6.2.110 The Ministry of Industry, Investment and Commerce (MIIC) is a "Policy Ministry" with a strong emphasis on the development of policy and oversight of policy implementation through legislation and administrative mechanisms.

6.2.111 "The mission of the Ministry of Industry, Investment and Commerce is:

- To increase local and foreign investments
- To be the driver of innovation and job creation
- To promote and protect Jamaican brands, consumers and businesses
- To create an enabling environment to increases earnings from exports"

6.2.112 We conducted an activity-based audit on Corporate Governance over the area of Policy Development, Implementation, Monitoring and Evaluating to determine whether there are:

1. Policies properly developed and implemented to achieve strategic objectives?
2. Efficient monitoring and evaluation systems in place at MIIC.

6.2.113 Despite the efforts we made on September 30, 2014, November 17, 2014 and again on November 21, 2014, to obtain a response to the captioned audit from the Ministry, as at December 18, 2014 we did not received a response from the Ministry.

KEY FINDINGS

6.2.114 **MIIC Lacks a Comprehensive Risk Management Plan.** MIIC lacks a comprehensive risk management plan that would help them to better manage the risks to which the Ministry is exposed.

6.2.115 **MSME's Policy Criteria Not Met.** MIIC is not meeting the MSME's policy criteria. In order for the MSME policy to achieve its stated objective, five criteria had to be met. We found that only one of the five criteria was met. We reviewed the Regional Consultations file which outlined three recommendations for implementation by the Ministry in evaluating and reporting policy implementation. MIIC did not follow through on the recommendations of the consultants.

6.2.116 **MIIC Not Effectively Monitoring and Evaluating Policy Implementation.** MIIC is not conducting follow-up to ensure proper implementation of policies and adherence to guidelines. Our review of the policy documents developed, wholly or partially, by the Ministry indicated that the Ministry had not been faithfully monitoring the implementation of the policies. We also found that policy implementation is done by the agencies under MIIC's purview. Monitoring and Evaluation of the policies should take place at the Ministry level, through the provision of oversight to the agencies. However, we found that the Ministry did not carry out any significant amount of monitoring neither did they evaluate policies after implementation. The monitoring of policies took place only at the drafting stage. We were unable to ascertain the number of policies monitored over the three-year period 2011-2014, as no report was produced. Without this evaluation process, MIIC would not be able to determine the extent to which the policies were impacting the respective sectors in accordance with the stated objectives.

6.2.117 **Agencies Not Producing Annual Performance Reports on Policy Document.** The agencies under the purview of the Ministry did not produce the required annual performance reports on policy document. MIIC has responsibility for 27 agencies, which operates under the four divisions of the Ministry. For our sample, we selected the Commerce division and found that there are seven agencies under its purview for monitoring. These Agencies are required to submit to the Ministry, annual reports on their performances, which would include policy documents. However, from a schedule submitted by the Unit, four of these agencies have not provided the Unit with any performance report in over a year, another has reports outstanding for more than three years. The Ministry sent letters of reminder on July 15, 2014 to all the Agencies with outstanding reports; however, no response was seen from the agencies. We saw no further action being taken by the Ministry.

RECOMMENDATIONS

1. **MIIC Lacks a Comprehensive Risk Management Plan.** Having a comprehensive risk management plan in place MIIC will better know and understand the risks to which the Ministry are exposed. It also means that MIIC would have deliberately evaluated the risks and implemented strategies in place to remove the risk altogether, reduce the likelihood of the risk happening or minimize lost in the event that something happens. It is therefore critical to the policy planning process that MIIC develop and implement a comprehensive risk management plan to address the likelihood of things going wrong and to implement strategies to prevent or minimize the impact of these risks.

2. **MSME's Policy Criteria Not Met and MIIC Not Effectively Monitoring and Evaluating Policy Implementation.** MIIC should ensure that all the criteria relating to policy processes are met in order that the key objectives are met to achieve goals towards effective development and implementation of documents. MIIC should also monitor and evaluate the policy implementation process. In addition to daily control over operations, deadlines, and any problems that may arise, MIIC should perform periodic evaluations of the policies as a whole. This is to gauge the results obtained by each stage of implementation of the policy, within its economic, social, institutional, and environmental context.

3. **Agencies Not Producing Annual Performance Reports on Policy Document.** Annual Performance Reports are not a standalone process; it forms part of the wider goal setting process that includes development plans tailored to organizational objectives. Therefore, MIIC should ensure that the Agencies prepare and submit their annual performance reports in a timely manner in order that all shortcomings related to the implementation of policy documents may be addressed by the Ministry and further mitigate against future shortfalls.

HEAD 5600-MINISTRY OF SCIENCE, TECHNOLOGY, ENERGY & MINING

E – LEARNING JAMAICA COMPANY LIMITED

6.2.118 E-learning Jamaica Company Ltd. (E-Ljam Co. Ltd) was established as an Agency under the Ministry of Science, Technology, Energy and Mining. E-Ljam Co. Ltd manages two major projects namely the E-Learning High School Project and the Tablet in School (TIS) Project. These projects represent special interventions of the Government of Jamaica in partnership with the Ministry of Education and other stakeholders to improve the quality of education through information and communication technologies.

6.2.119 The High School project was developed as a joint initiative with the MOE after extensive consultation with principals and teachers and other stakeholders. Its components include providing digitalized instructional materials for teachers and students, computers and multimedia equipment, and training of teachers in the use of the technology in instructional delivery. It had been anticipated that the project would have been fully completed by March 2012 and that all aspects of the project, which were to be institutionalized, would have been handed over to the MOE. The project was however delayed and the MOE requested that E-LJam defer the handover of those elements that were completed until they were in a better position to take on the functions and bear the cost of sustaining the intervention.

6.2.120 E-LJam commenced start up activities for the Tablets in School pilot project in April 2013. The Project will provide approximately 25,000 tablets to students and teachers in 38 pre-primary, primary and secondary schools island-wide. The project will also provide other e-learning technologies, internet connectivity, relevant e-content, as well as the training of teachers, instructors and facilitators at the various access points in the surrounding neighbourhood of the selected schools.

6.2.121 In our audit, we assessed how effective and efficient E-Ljam Co. ltd. corporate governance practices were. Specifically, the audit examined whether:

- the board was executing its fiduciary duties efficiently; and
- there was proper oversight over the E-Learning's TIS & High School Projects

KEY FINDINGS

6.2.122 **No documented evaluation of the Board of Directors.** The Corporate Governance Framework for Public Bodies in Jamaica Chapter 2 principle 12: Board Performance Evaluation states that "Each Board of a Public Body should be subject to a formal and rigorous annual appraisal of its performance and that of its committees and individual Directors". We found that there was no documented evaluation of the Board of Directors of the E-LJam for the period February 13, 2012 to March 31 2014.

6.2.123 **Time overrun on the High School Project.** The High School project was to be completed within a 3 years' timeline from its start in 2006. However we found that up to August 2014, the project has yet to be fully completed and handed over to the Ministry of Education. Phase 3 of the consultant evaluation report indicated that the timelines provided for the project were unrealistic and as such E-Learning failed to achieve the target that was originally planned. Additionally, the feasibility study was used as the official document to guide the project. We found that while the feasibility study provided the rationale and justification of the project including detailed description of project components and how the company will be governed and structured, it fell short of being a project management plan as it only broadly indicated that the project would be executed over a three to four year period. The absence of a Project Management document may have contributed to the five year delay in completing the High School Project.

6.2.124 **Stolen Equipment from Schools.** Internal audit report dated July 3, 2014 for period April 2012 to September 2013 revealed that 447 items costing approximately US$344,393.34 were stolen as at September 2013. In addition, E-LJam breached the Ministry of Finance's circular which indicated that these missing items should be reported to the Auditor General's Department and the Ministry of Finance & Planning.

6.2.125 **Under-utilization of Equipment Purchase.** Equipment purchased at a cost of US$874, 000.00 and delivered to MOE since July 2010 to be used as the Central Repository for Educational Materials (CREM) is yet to be used for its intended purpose. E-Ljam informed us that the inability of the Ministry of Education (MOE) to fund the necessary infrastructural works required for the main and back-up sites of the CREM delayed full implementation of the CREM. In the absence of this facility, E-LJam established for themselves an Interim Central Repository on its servers. Back-up is done using a USB hard drive which is then taken offsite by a worker. This inordinate delay in implementing the equipment could result in loss of critical data.

6.2.126 **Absence of Feasibility Study for TIS Project.** Prior to investing in any project, a feasibility study should be conducted to test the viability of the project and would outline the potential areas of risks, possible implications and how these would be managed. Our review of the TIS Project document indicated that preparatory work commenced in May 2013 and included research into the use of integrating technology in education worldwide. From this research, E-learning prepared a document which outlined suggested best practices, findings and outcomes in other countries. The findings revealed that none of the countries had successfully integrated technology in education. Given the shortcomings in the management of the High School project and the absence of a feasibility study for the TIS Project, we could not determine the basis on which they would be able to overcome the challenges that resulted in the failure in the other countries in order to achieve their objectives. Further, E-Ljam stated that care has been taken to avoid the pitfalls identified in the projects implemented elsewhere; however, the document which was eventually presented provided no evidence of review and approval of the appropriations of the strategies to be engaged.

6.2.127 Additionally, during the Pilot Phase, TIS is expected to deliver 25,000 tablets to 38 schools free of cost after which there is expected to be a rolling out of tablets to all institutions on a cost sharing basis. We could not determine the strategy that would allow E-Learning to achieve its objectives in the event that parents are unable to afford the cost in the rollout phase.

RECOMMENDATIONS

To improve the efficiency and effectiveness of the management of projects, E-Learning should consider adopting the following recommendations:

1. E-Learning should ensure that there is a project management document to guide all its projects. This will allow for smoother execution resulting in greater efficiency in its processes. Further, E-Learning needs to

implement measures to improve its monitoring and evaluation capabilities.

2. E-Learning and the Ministry of Education (MOE) should develop a standard procedure for safeguarding the equipment and outline the possible sanctions to be imposed for loss resulting from negligence.

3. E-Learning should seek to review the completeness of its key records in its paper-based filing system, including project documentation so that a project can be traced through the complete project cycle. This can be done by reviewing its records management processes and practices, associated standards and policies, and implement changes as appropriate.

4. E-Learning should ensure that a feasibility study is conducted for all projects. This will help to determine whether the project will be worth undertaking given the investment of scarce resources.

HEAD 6700- MINISTRY OF WATER, LAND, ENVIRONMENT & CLIMATE CHANGE

NATIONAL WATER COMMISSION (NWC) K-FACTOR

6.2.128 To facilitate the financing of capital rehabilitation projects to reduce Non-Revenue Water (NRW), NWC charges customers a percentage of their bill amount. This charge is known as K-Factor. NWC and **OUR** agreed on capital rehabilitation projects to be completed during each tariff period. NWC would determine the cost of the projects and recommend the K-Factor rate to meet the cost. The amounts collected should be used specifically to finance repayment of loans which are geared toward capital rehabilitation projects such as non-revenue water reduction, energy efficiency and sewage network expansion projects. It is expected that the implementation of approved capital rehabilitation projects, under the K-Factor programme would translate into an improvement in NWC's efficiency by reducing the level of NRW and energy consumption. The X-Factor was introduced as a mechanism to pass on efficiency gains from investments in projects done using the K-Factor funds. The X-Factor represents a credit on customers' bills, reducing the billed amount monthly.

6.2.129 The audit was conducted to determine whether NWC is using the K-Factor revenue to effectively implement projects approved under the K-Factor programme in order to reduce NRW and improve energy efficiency. The audit also seeks to determine whether NWC is complying with the established regulatory framework to ensure proper oversight of the K-Factor programme.

KEY FINDINGS

K-Factor Project and Efficiency Management

6.2.130 **NWC did not achieve the 2008-13 Tariff Determination Notice target to reduce Non-Revenue Water (NRW) to 50 per cent.** During the 2008-2013 Tariff period, OUR approved a total of 128 projects, 64 related to NRW reduction and 64 related to sewage network. The projects entail the rehabilitation and repairs to mains at an estimated cost of $41 billion. It is expected that the $41 billion would finance repayments of loans secured to cover capital costs, which should be limited to a ten year tenure. However, NWC was only able to secure loans totalling US$248 million (JA$21.4

billion) of which US$156.5 million was drawn down by NWC as at June 2014. Consequently, NWC had to use $15 billion of the K-Factor cash inflows to supplement the financing of the projects, for the period April 2008 to September 2014. This resulted in NWC only being able to complete 54 (42 per cent) of the 128 projects as at November 2014. This has contributed to NWC's inability to achieve the revised NRW target of 55 per cent established by OUR in **its** Tariff Determination Notice (2013-18)**.** At March 2014, NRW stood at 71 per cent, representing 16 percentage points above OUR's target of 55 per cent.

6.2.131 Over the period 2008-09 to 2013-14, NWC produced 390 billion imperial gallons at a total cost of $354 billion. Over the same period, NRW was 270 billion imperial gallons (69 per cent) of the total water production at a cost of $245 billion. This critical state of affairs in relation to NRW was exacerbated as NWC only collected 26 per cent ($93.2 billion) of the remaining 31 per cent of billed water production.

Key Note

NRW includes leaks and unauthorized consumption. Of the 270 billion imperial gallons of NRW, leaks accounted for 132 billion (49 per cent), while unauthorized consumption accounted for 137 billion imperial gallons (51 per cent).

K-FACTOR REVENUE AND CONTROL

6.2.132 **NWC did not lodge $0.7 billion collected from customers into the designated K-Factor Account.** Over the period April 2008 to September 2014, NWC collected approximately $16 billion for K-Factor from customers. However, only $15.3 billion (94 per cent) was deposited into the K-Factor bank account. The remaining $0.7 billion was not deposited to the K-Factor bank account, but retained and utilised to finance NWC's operational activities. Further, we were unable to verify whether NWC was complying with the requirement to deposit the deemed K-Factor collection within the stipulated 45 days.

6.2.133 **NWC transfer $1 billion from K-Factor funds to finance administrative expenses.** NWC established a Project Management Unit (K-Factor Unit) to manage the K-Factor programme. In a letter dated January 22, 2013, **OUR** agreed with NWC decision that the administrative activities of the K-Factor Unit would by NWC. However, NWC instituted a supervision cost of 8.5 per cent of project cost, which amounted to $1.08 billion, and was transferred to NWC operational bank accounts in August 2013. NWC did not present the requisite approval from **OUR** for the imposition of the supervision cost. NWC failure to lodge $0.7 billion collected from customers into the designated K-Factor Account and the diversion of $1 billion to finance administrative expenses may have impacted on the timely implementation of Non-Revenue Water (NRW) reduction projects**.**

RECOMMENDATIONS

1. NWC should ensure full compliance with the requirement to deposit within the stipulated timeframe, all revenues collected from customers under the K-Factor programme. In addition, all K-Factor related loan proceeds should be deposited to the K-Factor bank account. NWC should also ensure that K-Factor revenues remain in the K-Factor bank to be made available to finance the implementation of K-Factor projects at the earliest possible time.

2. NWC should immediately seek to develop a comprehensive water loss management strategy to address the issue of NRW. The strategy should include a robust plan to repair 95 per cent of reported system leaks within the required one to three days. NWC should also put systems in place to complete all NRW reduction projects before the end of the 2013-18 tariff periods so as to realized expected efficiency gains.

The full report may be viewed on the attached Compact Disc (CD).

HEAD 6747 – NATIONAL LAND AGENCY (NLA)

6.2.134 The NLA Estate Management Division is responsible for all lands owned by the Commission of Lands (COL). The Crown Property Vesting Act 1962 Section 3(2) states, that the Commissioner of Lands shall be the sole corporation that has power to hold, acquire and dispose of government owned land and other property of whatever kind. This power is subject to approval by the Minister with responsibility for land and Cabinet where the threshold has been exceeded.

6.2.135 There are currently over 33,220 parcels of land on the Valuation Roll at August 2014 in the name of the COL. These include Crown Lands, Project Land Leases, Land Settlement Properties and land held in trust for ministries, departments and agencies.

6.2.136 The Estate Management Division (EMD) is responsible for management of these lands. This management includes divestment by lease or sale, acquisition of lands required for a public purpose and the management of land settlement schemes. The EMD also manages government-owned housing stock that currently stands at sixty.

6.2.137 In our audit, we assessed the NLA's efficiency in the management of government properties. This includes assessment of whether:

- The acquisitions of government properties by lease or sale were done in a transparent manner;
- Divestment by lease or sale is done in an economical manner.

KEY FINDINGS

6.2.138 **The NLA does not have a comprehensive inventory of government-owned lands, despite the commissioning of a land inventory project in 2010.** NLA commenced an inventory project in June 2010 to identify and prepare an inventory of all government-owned land. At September 2014, NLA has identified 28, 000 parcels of government-owned lands and has been updating the Estate Management Inventory System with the related information that will uniquely identify each parcel of land. Our review of the valuation roll at August 2014 disclosed that the government owned 33,220 parcels of lands. NLA informed us that not all government-owned lands were included on the valuation roll. The delay in completing the inventory prevented NLA from accurately accounting for all government-owned land. In addition, NLA will be denied the ability to provide the requisite custodial and strategic management services for Crown Lands to ensure optimal use of Government owned lands. NLA has advised us that the project should be completed by July 2015.

6.2.139 **Inappropriate actions by public official may result in substantial legal cost to taxpayers.** Section 4 subsection 2 of the Crown Property (Vesting) Act, 1960 states: *"All lands acquired, by whatsoever means on or after the commencement of this Act for the use of the Government of the Island other than lands acquired by the Minister of Housing for purposes of the Housing Act shall be vested in the Commissioner for the time being and held by him and his successors in the said office in trust for her Majesty, her heirs and her successors."* Despite this, our audit disclosed that the absence of formal policy governing the acquisitions and disposal of government lands resulted in the acquisitions and disposals being done in an unstructured manner. For example, we found that MDAs did not always engage the services of NLA to negotiate the terms and conditions of agreements for the acquisitions and disposals of government lands and in some instances where NLA objected to the terms and conditions of these agreements the MDAs refused to be guided by NLA. We found that in such instances, NLA obtained letters from the MDAs indicating their willingness to indemnify NLA for any associate liability that may arise from such agreement. The practice can result in taxpayers not getting commensurate value for amount spent.

6.2.140 **Tenants owed NLA $77.6 million for rental and lease of government properties.** Our audit determined that arrears for the rental of government properties totalled $77.6 million at November 2014. This included $57.3 million owing on 242 or 40 percent of leased lands, $18.6 million on commercial properties (T**able 14**) and $1.7 million for five of the 44 rented government-owned houses and apartments (T**able 15**). These arrears were outstanding for protracted periods.

Table 14: Shows details of amounts owing for Commercial Properties for the period April 2011-November 2014

Commercial Building	Tennant	Amount owing at November, 2014 - $M
Seabed Building	Urban Development Corporation	16.0
	Jamaica Fire Brigade	2.6
Total		**18.6**

Table 15: shows details of Rental Arrears on Government-owned houses as at November 28, 2014

	Portfolio Ministry	Government House	Monthly Rental pm ($)	Arrears at November 2014 ($)	Period of Arrears (mths)
1	Health	Mona House	35,000	525,000	15
2	Water	Knustford Manor Apt.	15,000	120,200	8
3	Water	Knustford Manor Apt.	5,000	225,000	45
4	Local Government	Knustford Manor Apt.	7,500	817,500	109
5	House of Parliament	Executive House	16,611.75	23,947	2
			Total	**$1,711,647**	

6.2.141 **Repairs and maintenance of government houses inadequate**. At September 2014, there were 60 government owned houses and apartments, 16 of which were vacant and in need of repair. NLA estimated that it would cost $19.5 million to repair 14 of these vacant houses and apartments. NLA has a "Special Fund" in which monies collected from rental is placed. Further, there were no scheduled routine preventative maintenance for occupied and vacant houses to identify repair needs; instead, repairs were done on a reactive basis. Physical inspection of vacant houses revealed that the houses were in deplorable conditions and evidence of poor maintenance. These houses have been vacant for 1-3 years.

6.2.142 We also noted that there was depreciation in the value of two prime properties approved for sale. The values of the properties were reduced prior to divestment with conditions written down from fair to poor. The reductions range from 11-19%.

6.2.143 NLA advised us that they took a strategic decision not to repair certain properties due to the degree of physical, economic and functional obsolescence because most of the houses and apartments were old. In June 2013, through notes for a Cabinet Submission, NLA sought to retain funds from "sale of lease land" to effect repairs. As at November 2014, the process had not been finalized.

RECOMMENDATIONS

To improve the efficiency and effectiveness of the management of government properties, NLA should consider adopting the following recommendations:

1. The NLA should develop a scheduled plan to guide the completion of the inventory project. This would allow for better monitoring of the project. The project should also include a system to accommodate acquisitions in a standardized format similar to the inventory for ease of transfer to the Estate Management System (EMS).

2. The COL should inform the Minister in accordance with the draft policy of the inadequacy of the Special Fund for the maintenance and repairs. This is with an aim to review the amounts needed for efficient maintenance and repairs of the housing stock. In addition, there should be a scheduled preventative maintenance plan to identify repairs needs.

3. Enforcement efforts should be increased to reduce the amount outstanding on lease properties and lands. The reduction in the arrears for government houses will improve the state of the Fund.

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

NATIONAL SOLID WASTE MANAGEMENT AUTHORITY (NSWMA)

6.2.144 The National Solid Waste Management Authority (NSWMA) is a department of the Ministry of Local Government and Community Development whose mandate is to promote proper waste management through its operations; and to change behaviours and attitudes through public education and enforcement.

6.2.145 In our audit, we examined whether NSWMA has systems in place to ensure that:

i. Financial resources were managed efficiently and effectively;
ii. Waste Management Operations were managed effectively; and
iii. An effective Public Education and Enforcement programme is in place.

KEY FINDING

6.2.146 **NSWMA failed to table ten years audited financial statements and annual reports in the Houses of Parliament.** Section 12 of the NSWMA Act states that; *"the Authority shall keep proper accounts and other records in relation to its functions and shall prepare annually a statement of accounts in a form satisfactory to the Minister and conforming to established accounting principles."* NSWMA's last audited Financial Statements was for financial year 2004-05. Consequently, NSWMA was not in compliance with Section 13 of the Act, which stipulates that the audited accounts together with the Annual Report be laid in the House of Representatives and Senate within six months of the end of the financial year. This issue has been the subject of previous Auditor General's Annual Reports and has been a point of discussion at Public Accounts Committee meetings since 2006. NSWMA's failure to ensure the timely audit of its financial statements and preparation of annual reports has impaired its ability to ensure and facilitate proper oversight of its financial activities and assessment of its state of affairs. The inability of management to provide timely information on the financial performance will inhibit stakeholders' full understanding of the issues and prejudice the development of evidence based strategies. Management has indicated that the audits for the financial years ending March 31st, 2006 and 2007 are currently being finalized; they anticipate that these audits will be completed by the end of January 2015.

RECOMMENDATION

We encourage NSWMA to finalize all outstanding financial statements and annual reports in the shortest possible time and submit these to the Minister for tabling in the Houses of Parliament. This will enable decision making on the basis of reliable and timely information.

OFFICE OF DISASTER PREPAREDNESS AND EMERGENCY MANAGEMENT (ODPEM)

6.2.147 Jamaica, due to its location is highly prone to hazards such as earthquakes, hurricanes, landslides and flash floods. The Office of Disaster Preparedness and Emergency Management (ODPEM) is the national organization responsible for disaster management in Jamaica. ODPEM is charged with the responsibility for taking action to reduce the impact of disasters and emergencies on the Jamaican population and its economy. ODPEM plays a coordinating role in the execution of emergency response and relief operations in major disaster events.

6.2.148 In our audit, we assessed whether the national disaster preparedness strategy, actionable plans and policies had been prepared and reviewed periodically to respond to the threat of disasters and mitigate their consequences. We are satisfied that ODPEM adequately addressed our concerns emanating from the review. Equally, we encourage ODPEM to be mindful of its responsibility to coordinate disaster management activities of emergency responders and to continue to deploy its resources in a manner that will real maximum benefit.

KEY FINDINGS

6.2.149 **ODPEM's database of responders' operational equipment is incomplete.** In 2012, ODPEM requested information to populate a database on operational equipment available at the supporting entities. The database will provide complete information on the status and availability of operational equipment for disaster response. Operational equipment includes specialized, heavy, general and protective equipment (backhoes, trucks, protective gear etc.). However, at the date of our audit, the database was incomplete as not all responders' equipment were entered. We observed that the database only had information for five responders, although there were over 20 primary responders in the National Disaster Response Matrix. ODPEM advised that information was requested from these responders' but only five responded. Therefore, OPDEM was unable to determine the available functioning operational equipment available to immediately respond to emergencies. This deficiency will retard ODPEM's ability to promptly respond to the needs of communities during disasters and emergencies.

6.2.150 **ODPEM's public education and training programmes are commendable.** ODPEM's approach to disaster management includes a robust public education and training programme. The agency produced publications such as booklets. One of which entitled: *"Who we are and what we do." This* booklet gives an overview of the operational activities of ODPEM. ODPEM also produced brochures and pamphlets, which informs the public on actions to be taken during hurricanes, earthquakes, floods and fires. In addition, these resources provide valuable information on the mitigating activities that businesses, and individuals should undertake prior to, during and after these disasters. Further, ODPEM's website includes disaster preparedness articles, information on ODPEM public education and training activities, natural disasters and their effects on communities and mitigation activities. The objectives of these activities are to raise the awareness of emergency management issues and practical measures that communities can undertake to mitigate risks and prepare for emergencies. The national outcome of the successes of these initiatives will lead to hazard risk reduction and adaptation to climate change.

RECOMMENDATIONS

ODPEM should once again formally request all responders to submit a schedule of their operational equipment and related information without further undue delay. In cases where responders fail to honour this request, ODPEM should seek the assistance of the National Disaster Risk Management Council to encourage delinquent agencies to adhere to the request.

MANAGEMENT OF BUILDING APPLICATIONS AND SUBDIVSIONS

6.2.151 The Policy Planning and Standards Unit of the Ministry of Water, Land, Environment and Climate Change oversees planning and development in accordance with the Town and Country Planning Act, while the Ministry of Local Government and Community Development (MLG&CD) has direct responsibility for the building policy, development approval process, and monitoring of the Local Authorities. This is done by ensuring that the stipulated laws and guidelines developed to govern building and development activities are strictly adhered to and effectively streamlined.

6.2.152 We focused our audit on physically assessing the operations of the Kingston and St. Andrew Corporation (KSAC) and the St. James Parish Council over a period of four (4) years, (i.e. 2010-2011, 2011-2012, 2012-2013 and 2013-2014).

KEY FINDINGS

6.2.153 **The KSAC has cleared its backlog in processing building and sub-division applications.** The Local Authorities have committed to processing building and sub-division applications within 90 days of submission. To achieve this, at the beginning of 2014, the KSAC engaged a strategy of in-house training, improved business processes coupled with overtime work by its officers and the hiring of temporary staff. This led to KSAC clearing its stock of backlog cases of 970 applications as at December 31, 2013, some of which were submitted during 2000. KSAC indicated that the backlog resulted from the submission of incomplete applications and the tardiness of other agencies in processing their aspect of the applications. We noted that the KSAC's processes are now strengthened, as the provision of in-house training and enhanced procedures have negated the need for comments from some agencies. In addition, applicants are given a specific timeframe to respond to outstanding issues, failure to do so would result in the closure of the file.

6.2.154 **Application files were poorly maintained by KSAC and the St. James Parish Council.** KSAC and the Parish Councils Building Act require the maintenance of full, accurate and up-to-date records of all permits granted for construction. The record should include approvals, inspections, breaches identified, enforcement actions and any other determinations made. We requested 78 application files to assess the

Councils' adherence to law; however, only 67 files were presented. Our review disclosed that documents were loosely filed in the respective case files. In addition, we were unable to determine the tasks performed and the designation of the officers whose signatures were affixed to the documents.

6.2.155 **The KSAC and St. James Parish Council were not properly monitoring and documenting post approval inspections**. KSAC records revealed inconsistencies in the recording of observations at site inspections. Of the 56 case files reviewed at KSAC, no comments were entered in the case files indicating that post approval inspections were performed and the related inspection forms were not presented for audit assessment. Conversely, the St. James Parish Council recorded all inspections requested and performed. Further, observations were recorded in duplicate, of which the original is left with the property owner or contractor on site and the copy retained in the Building Officer's inspection book. However, we were unable to track the inspections to the specific application file, as both documents were not cross-referenced to each other. It was therefore difficult to ascertain whether post approval inspections were conducted for all buildings and subdivisions and whether deficiencies identified were satisfactorily remedied.

RECOMMENDATIONS

The Ministry of Local Government & Community Development should make every effort to maintain in some instances and improve the performance in this area. However, the Local Authorities should consider adopting the following recommendations:

In order to facilitate effective monitoring and evaluation of post approval activities, we encourage the MLG&CD to develop and implement appropriate policies and procedures to ensure routine inspections are undertaken. This should include proper documentation of compliance with the established standards, cross-reference of inspection activities with application files and monitoring of inspections to ensure that all breaches identified are satisfactorily remedied.

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Section 7:

ASSURANCE AUDITS

ASSURANCE AUDITS

7.1.1 Assurance services can test financial and non-financial information. The audits conducted by this division of the AuGD were designed to test regulatory compliance, report on whether financial statements are fairly stated and appropriation accounts are presented in keeping with the Appropriations Act.

7.1.2 Compliance audits are conducted to ascertain the extent to which the MDAs follow the rules, laws and regulations, policy, and established codes. An integrated approach was taken to the conduct of compliance audits by syncing them with the review of appropriation accounts and financial statements of MDA's.

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 in the Houses of Parliament annually.

7.1.4 The financial statements of all Executive Agencies, Parish Councils and Statutory Bodies were audited in order to express an opinion as to whether they reflect a true and fair view. A true and fair view means that there is compliance with the relevant accounting standards; and there is no evidence of material misstatement. 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.

TABLE 16: ASSURANCE AUDITS

Audit Type	Audits Planned	Audits Executed	Opinion /Reports Dispatched	Work in Progress
Financial Statements	146	144	86	58
Appropriation Accounts	140	128	83	45
Compliance Audits	62	47	41	6

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

Unmodified Opinion

7.1.5 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.

As shown in Table 17, the Department also issued 160 unmodified audit opinions during the year 2014.

Table 17: Unmodified Opinions Issued During the Year

Entity / Group	Number of Statements
Statutory Bodies and Executive Agencies (Financial Statements)	34
Internationally & Locally Funded Projects (Financial Statements)	8
Statutory Bodies (Receipts and Payments Statements)	12
Parish Libraries (Receipts and Payments Statements)	23
Parish Councils (Financial Statements)	5
Ministries & Departments (Appropriation Accounts)	78
TOTAL	**160**

Modified Opinions

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

Qualified Opinion

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

7.1.7 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

7.1.8 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

7.1.9 Modified Opinions were issued for nine audits conducted during the year as outlined in **Table18**.

Table 18: Modified Opinions issued during the Year

Entity	Head	Date Certified	Financial Year	Reason for Qualification
National Youth Service	N/A	19-Jun-14	2006/2007	Limitation of Scope
National Youth Service	N/A	24-Nov-14	2007/2008	Limitation of Scope
Ministry of Agriculture & Fisheries	5100	6-Oct-14	2012/2013	Excess on Head of $106,582,212.88, AIA inappropriately spent
Ministry of Housing, Environment, Water & Local Government	6400A	14-July-14	2011/2012	Excess on Head of $34,138,031.42
Ministry of Water & Housing	6300A	8-July-14	2011/2012	Excess on Head of $2,261,218.05
Ministry of Water, Land, Environment & Climate Change	6700	8-July-14	2011/2012	Excess on Head of $7,897,446.08
Jamaica Information Service	1510	24-Apr-14	2012/2013	Excess on Head of $2,166,535.00
Social Development Commission	N/A	26-May-14	2001/2002 to 2010/2011	Lack of Supporting documentation to clear amounts totalling approximately $210 million.
Forestry Department	N/A	2-Jun-14	2010/2011	Non-Compliance with IPSAS 27 – Agriculture. Reliance could not be placed on the Valuation of Biological Assets at $162.38 million & Fixed Assets $11.821 million because an independent valuator was not used.

Excess on Head Explanation

7.1.10 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."*

7.1.11 This provision denotes that Ministries, Departments and Agencies are not permitted to use sums collected in excess of the approved Appropriation-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.

Assurance Audits in Progress

7.1.12 While we certified 169 Statements and issued 41 compliance reports, 103 are currently work in progress of which 51 are awaiting certification. See Appendix 2-5. These Assurance Audits are predominantly made up of compliance audits which include appropriation accounts audits and financial statements audits.

HEAD 0100 - HIS EXCELLENCY THE GOVERNOR GENERAL AND STAFF

7.2.1 The audit of the accounting records and financial transactions of His Excellency the Governor General and Staff revealed a satisfactory state of affairs. The key audit findings were communicated to the Accounting Officer for the necessary corrective action to be taken.

HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL

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

HEAD 0800 – INDEPENDENT COMMISSION OF INVESTIGATIONS (INDECOM)

7.2.3 The audit of the financial transactions, accounting and other operational records of the Independent Commission of Investigations (INDECOM) revealed the following areas of concern:

Management of Fixed Assets

7.2.4 The Commission lost all its master inventory records after a reported computer failure and its individual inventory records were not kept up-to-date to allow for efficient monitoring of its assets.

7.2.5 INDECOM did not maintain an appropriate motor vehicle inventory and operational efficiency record, and there was no evidence of supervisory checks in the motor vehicle logbooks as required by the Procedures Manual on Control of Government Motor Vehicles.

7.2.6 The Commission has since re-created its master inventory and is in the process of updating its individual inventory and motor vehicle records. The Commission has also advised us that steps will be taken to procure a reliable back-up system to reduce the impact of any future computer failure.

Unapproved Travelling Allowance

7.2.7 We identified that one officer was paid travelling allowance amounting to $1.6 million for the period April 2011 to May 2014, without the approval of the Ministry of Finance. The Commission reported that they are in dialogue with the Ministry of Finance to resolve this matter.

Absence of Internal Audit

7.2.8 The FAA Act and the Financial Management Regulations require that each Government Department establish a system of internal audit for examining the accounting systems, internal controls, risk management and governance processes of the Department. However, INDECOM has not employed any internal auditor since its inception in 2010. The Commission reported that, despite conducting recruitment exercises, it is unable to attract suitable candidates at the current remuneration levels. The absence of regular internal audit reviews increases the risk of errors or irregularities going undetected and could result in a weakened internal control environment.

HEAD 1510 - JAMAICA INFORMATION SERVICE (JIS)

7.2.9 The Jamaica Information Service (JIS) was commissioned as an Executive Agency since 2001. It earns revenue from services provided to both Government and Non Government institutions.

7.2.10 An audit of the accounting records and financial transactions of the Jamaica Information Service was undertaken to assess whether there was compliance with regulations and circulars established to govern the operations of the entity. An assessment of internal controls was also done to determine whether controls were in place and operating effectively.

7.2.11 Our work was conducted in accordance with the International Organisation of Supreme Audit Institutions' (INTOSAI) Fundamental Auditing Principles and Guidelines for Compliance Audit. Those principles require that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance of detecting errors, irregularities and illegal acts that may significantly affect the results of the audit.

7.2.12 The accounting records and financial transactions were examined using a risk based approach for the period April 2013 to March 2014, and encompassed examination of Salaries and Wages, Expenditure Vouchers, Fixed Assets and Motor Vehicles and Cash Management.

7.2.13 The audit revealed a generally satisfactory state of affairs. However, our audit observed weaknesses in the time it takes the agency to lodge the funds it collects. Management has since issued new guidelines for the lodgement of monies collected.

HEAD 2000 - MINISTRY OF FINANCE AND PLANNING

7.2.14 The Ministry of Finance and Planning (MoFP) is the principal financial organization with constitutional responsibility for the marshalling of prudent management and control of the financial resources of the Government of Jamaica. Through research and planning it promotes the development and implementation of economic policies intended to ensure sustainable growth in the national economy. The main operational responsibilities include: the management of revenues, the preparation and management of the national budget, public sector financial management, management of public debt, compensation policy and conditions of service.

7.2.15 For the financial year 2012/2013, Parliament approved $9.652B for the Ministry to carry out its mandate. We conducted audits of the MoFP regulatory operations and Appropriation Accounts for the financial year 2012/2013.

7.2.16 The primary objectives of the audits were to express opinions on whether these accounts were presented in accordance with the applicable financial reporting framework and whether operations complied with the promulgated laws and guidelines.

KEY FINDINGS

Unapproved Payment of Overtime

7.2.17 We noted that a monthly-paid contract officer was paid overtime totalling $365,173.73 during the period under review without the requisite approval. The MoFP guidelines require prior approval of any overtime. Furthermore, it does not permit the payment of overtime allowance to monthly-paid staff.

Miscellaneous Revenue

Non-maintenance of Records to Verify Correctness of Miscellaneous Revenue Collections

7.2.18 Our review revealed that the Ministry did not implement proper systems to manage and verify the correctness of the amounts collected and reported in the Financial Statement Revenue Estimates (FSRE) as Miscellaneous Revenue. For example, the MoFP did not maintain records to validate the actual revenue collection reported from the Accountant

General's Department for the Provident Fund, cash forfeitures, bank licence fees, and dividends. The MoFP's failure to maintain and implement proper systems to verify the correctness of revenue has impacted the accuracy of the published figures. The Ministry of Finance Circular No. 15 on accounting for Miscellaneous Revenue states, "the collection and proper lodgment of all items of Miscellaneous Revenue indicated in the Estimates is the responsibility of the Accounting Officer…" Therefore, it is incumbent on the Financial Secretary to implement proper systems.

Inaccuracies in the Reporting of Revenue Inflows

7.2.19 Although MoFP Circular No. 15 on accounting for Miscellaneous Revenue states, "the collection and proper lodgment of all items of Miscellaneous Revenue indicated in the Estimates is the responsibility of the Accounting Officer…", we found that the MoFP failed to properly monitor its revenue inflows. This resulted in discrepancies in the reported revenue not being identified in a timely manner by the MoFP. Consequently, we identified that the under-mentioned reported revenue collections were overstated by $282,309,179.04 and understated by $276,643,741.00. These are under:

Table 20: Inaccuracies in the Reporting of Revenue Inflows

Understated Revenue		Overstated Revenue	
Revenue Type	**Amount ($)**	**Revenue Type**	**Amount ($)**
Provident fund	44,000,000.00	Cash forfeiture	15,244,850.74
Dividends/financial distribution	152,040,000.00	Dividends	267,064,328.30
Bank fees	80,603,741.00		
Total	**276,643,741.00**		**282,309,179.04**

7.2.20 The reporting of incorrect revenue inflows and misclassification of revenue types renders the information in the Financial Statement of Revenue Estimates unreliable. Further, users of the information could make inappropriate decisions and analysis as to whether it met the projected revenue targets.

RECOMMENDATION
The Ministry should formulate and implement policies and procedures to govern the process of accounting for Miscellaneous Revenue.

HEAD 2056 - TAX ADMINISTRATION JAMAICA

7.2.21 Tax Administration Jamaica (TAJ), was established on April 1, 2011 under the Revenue Administration (Amendment) Act 2011, arising from a merger of the Inland Revenue Department (IRD), Taxpayer Audit and Assessment Department (TAAD) and Tax Administration Services Department (TASD).

7.2.22 In keeping with this mandate, we conducted an audit of the Tax Administration Jamaica Appropriation Accounts for the financial years 2011/2012.

7.2.23 The purpose of the audit was to express an opinion on whether the Appropriation Account fairly presented the transactions of the Authority in accordance with the financial reporting framework and to ascertain whether management complied with the MoFP guidelines on the consolidation of the accounts for the merged entities. We reported on 27 matters; however, the following remain unresolved.

Absence of Control over Assets

7.2.24 TAJ did not maintain a Master Inventory of all the assets under its stewardship. Further, TAJ did not maintain the requisite office machines and equipment record to provide information on repairs and servicing of equipment. For example, four pieces of assets acquired during the financial year at costs of $11.11 Million were not entered in the inventory record.

Outstanding Advances Not Brought to Account

7.2.25 Up to the time of reporting, uncleared Advances totalling $125.22 Million incurred by IRD for the periods 2008/2009 to 2010/2011 were not brought forward, neither were they reflected in the accounting records as at November 2014. Management did not present evidence to indicate that they were taking action to have these amounts cleared. Therefore, we were unable to determine whether the recipient of the advances used it for the intended purposes.

7.2.26 TAJ has since advised that a formal request will be made to MoFP to write off these amounts. They also indicated that plans have been put in place to assign an officer direct responsibility to clear outstanding advances

HEAD 2600, 2600A & 2600B – MINISTRY OF NATIONAL SECURITY AND AGENCIES

7.2.27 The audit of the financial transactions, accounting and other operational records of the Ministry of National Security (MNS) revealed the need for improvement in the segregation of certain accounting duties. We also observed weaknesses in the controls over the Ministry's inventory management system and we found one instance of non-compliance with the Contractors Levy Act. The issues have since been addressed by the Ministry.

PRIVATE SECURITY REGULATION AUTHORITY (PSRA)

7.2.28 The Private Security Regulation Authority (PSRA) is a Statutory Body under the Ministry of National Security mandated to monitor and regulate the operations of all stakeholders in the Private Security Industry.

7.2.29 In accordance with the PBMA Act, we audited the accounting records and financial transactions of P.S.R.A. Our audit focused on evaluating the effectiveness of the administrative and accounting controls to determine whether adequate systems, policies and procedures were in place to safeguard the assets, ensure that the financial statements are free from material misstatements, as well as presented in accordance with the applicable financial reporting framework. We observed a generally satisfactory state of affairs.

JAMAICA DEFENCE FORCE (JDF)

7.2.30 The Jamaica Defence Force (JDF) is constituted under the provisions of Section 4 of the Defence Act. Under the Defence Act, the JDF is responsible for the defence and protection from external forces or threat to the sovereignty of Jamaica. The JDF also supports the maintenance of order in Jamaica as well as any other duties as may from time to time be defined by the Defence Board.

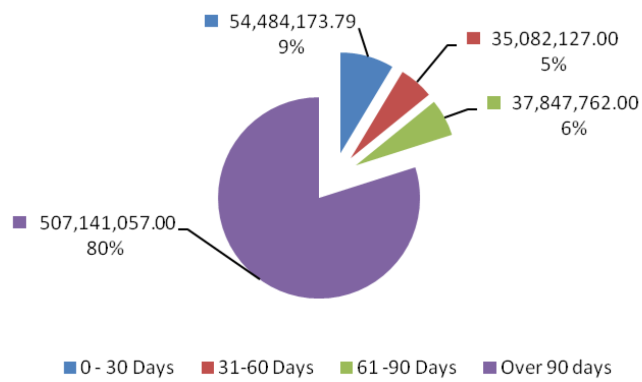
7.2.31 The JDF procures its equipment, materials and services primarily through competitive tender from both local and overseas suppliers/manufacturers. The Purchasing Department has the responsibility for general procurement and the Force's Procurement Committee oversees the procurement process and advises the Chief of Defence Staff on all procurement related matters.

7.2.32 We conducted an audit to determine whether the JDF was effectively managing its procurement activities to achieve value for money and compliance with the Government of Jamaica Public Sector Procurement Procedures. Our review revealed that there was general compliance with the GoJ Handbook of Public Sector Procurement Procedures; however, the following areas were noted for improvement:

KEY FINDINGS

7.2.33 **The JDF's commitment control process was not achieving its objective of ensuring that all expenditure is supported by available funds**. This may have contributed to the JDF owing suppliers approximately $634.5 million as at June 30, 2014. Of this amount, approximately $507 million was outstanding for over 90 days, in breach of Section 49(1) of the Financial Management Regulations 2011, which requires Accounting Officers to settle payments by their departments for all goods and services received within a period of thirty days. Prolonged delays in clearing the outstanding bills may increase the risk of suppliers refusing to conduct further business with the JDF resulting in fewer options for procuring goods and services. The JDF stated that it invariably incurs additional expenditure because of urgent operational requirements within the context of a national security landscape that does not always afford the JDF the latitude of waiting on funds in order to execute its mandate under the Defence Act, leading to high payables balance at any given time.

Chart 1: Analysis of JDF Payables



Source: JDF

7.2.34 **We found that the JDF made three payments amounting to approximately $3.5 million using quotations instead of original invoices contrary to the Financial Administration and Audit (FAA) Act Instruction 5.3**. This practice resulted in a previously reported overpayment of $754,291 and if not discontinued could expose the JDF to significant losses. The JDF stated that this is *because "most overseas military suppliers will not supply an invoice until the goods have been paid for"*.

7.2.35 **We also noted that the JDF did not have a written contract for the supply of Ballistic Helmets from an overseas supplier at a cost of approximately $10.49 million**. This may expose the JDF to considerable losses if the goods are defective or below the expected standards. The JDF acknowledged the absence of a written contract but emphasised that the "*helmets were ordered as an urgent operational requirement for the protection of JDF soldiers*". The JDF further advised that going forward all subsequent procurements of this nature will have a contract.

7.2.36 **The JDF did not adequately secure its interests when it paid a deposit of approximately $6 million to a supplier for the provision of one Ambulance for the Force.** The JDF did not obtain a suitable advance payment security such as a bank guarantee or an irrevocable letter of credit for an amount equal to the advance payment before the deposit was paid in accordance with the Government of Jamaica Handbook of Public Sector Procurement Procedures (Volume 2, paragraph A7.6.3) in order to reduce the risk of loss in the event of a default by the contractor. This has resulted in the

JDF having to institute legal proceedings against the supplier to recover the deposit after the contract was terminated because the Ambulance was not delivered within the stipulated time. The unrecovered deposit represents a potential loss to the Government and the responsible officer (s) may be liable for surcharge if the amount cannot be recovered.

RECOMMENDATIONS

The JDF should consider implementing the following recommendations to improve its procurement and payment processes:

1. The JDF should strengthen its commitment control system to ensure that each item of expenditure is supported by the availability of funds for the specific purpose. The Force should also implement measures to reduce its indebtedness to suppliers.

2. The JDF should discontinue the practice of making payments using quotations instead of original invoices.

3. Going forward the JDF should ensure that written contracts are in place for all significant procurements in order to secure its interests and reduce exposure to losses.

4. The JDF should ensure that adequate advance payment security is obtained for all future advance payments for goods or services in accordance with the Government of Jamaica Handbook of Public Sector Procurement Procedures (Volume 2, paragraph A7.6.3) in order to secure the Government's interests and reduce the risk of loss.

HEAD 2622: POLICE DEPARTMENT

7.2.37 The audit of the financial transactions, accounting and other operational records of the JCF disclosed a generally satisfactory state of affairs. However, we found that a former employee was overpaid salary and allowances totalling $167,618.09 due to the late submission of the relevant instructions to the salaries unit. Management was advised to take the necessary steps to recover the amount overpaid and ensure that going forward the controls over the preparation and payment of salaries are strengthened. The JCF has since advised us that they have not been able to locate the former employee, however, further steps will be taken to ascertain his whereabouts with a view to recovering the overpayment.

HEAD 2653: PASSPORT, IMMIGRATION AND CITIZENSHIP AGENCY (PICA)

7.2.38 The audit of the financial transactions, accounting and other operational records of the Passport, Immigration and Citizenship Agency (PICA) disclosed a generally satisfactory state of affairs.

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

7.2.39 The Ministry of Foreign Affairs and Foreign Trade is responsible for promoting and protecting the interest of Jamaica abroad and for conducting its foreign relations, in the interest of the social, economic, cultural and sustainable development of Jamaica.

7.2.40 As Accounting Officer, the Permanent Secretary of the Ministry of Foreign Affairs and Foreign Trade is responsible for all expenditure charged under the Votes which he administers and shall be accountable to Parliament. In keeping with Section 7.66 of the Financial Administration and Audit (F.A.A) Act, Instructions, every Accounting Officer is required to prepare, sign and transmit to the Auditor General, et al, appropriation accounts in respect of the Votes for which they are responsible.

KEY FINDING

7.2.41 A compliance audit and a review of the Appropriation accounts for the year 2013/2014, revealed a generally satisfactory state of affairs. However, the Ministry does not have a properly staffed Internal Audit Unit in place. This compromised the scope of the IAU's oversight activities. Further, the Ministry had outstanding advances which amounted to $197.7 million at the time of the audit. This will impact expenditure reported by the Ministry.

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

PATH- INTEGRATED SOCIAL PROTECTION AND LABOUR PROGRAMME (ISPL) <u>GOJ/IDB Loan No. 2889/OC-JA</u>

7.2.42 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). The agreement was signed on December 13, 2012 with the general objective of supporting the Government of Jamaica's efforts to improve human capital and labor market outcomes of the poor by enhancing the efficiency and effectiveness of key social protection programs. This overall objective will be achieved under five (5) components namely; Cash grants, Strengthening of PATH, Improving Labour Market Outcomes, Modernization of the School Feeding Programme and Programme Management, Audit and Evaluation.

7.2.43 The Project is funded through the Inter-American Development Bank (IDB) in the sum of US$30 million and the closing date for withdrawal is December 31, 2016.

7.2.44 Our examination of the financial transactions and accounting records of the Project for the 2013/2014 financial year disclosed a generally satisfactory state of affairs. However, it was noted that the rate of implementation of the project has been relatively low as several activities had to be rescheduled or scaled back.

PATH-SOCIAL PROTECTION PROJECT (SPP) GOJ/IBRD 7555JM

7.2.45 The Social Protection Project (SPP) is a follow-up to the Social Safety Net (SSN) Project which ended in March 2009. 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 five-year period from June 10, 2008, when the agreement was signed, to September 2013. The project has subsequently been extended to March 2015.

7.2.46 The objective of the Project is to enable the 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.

KEY FINDINGS

7.2.47 The examination of the financial transactions and accounting records of the Programme for the financial year ended March 31, 2014 revealed the following:

7.2.48 The SPP New Beneficiaries and Poor Relief Accounts were not accurately reconciled as stale-dated cheques totaling J$29.2 million and J$10.8 million respectively were included in the lists of un-presented cheques. Additionally, both accounts showed reconciling items that were not adequately addressed. This could result in errors and irregularities going undetected for protracted periods

7.2.49 GCT on bank charges amounting to $1.4 million for the New Beneficiaries account was charged to the account, despite the fact that the account was tax exempt.

7.2.50 Contrary to GOJ guidelines, gratuity payments totaling $905,966.40 were made to five employees at the end of six (6) months contracts.

RECOMMENDATION

Management was advised to take the necessary actions to reconcile the bank accounts, have the General Consumption Tax amounts reversed and comply with the guidelines related to the payment of gratuity.

PATH-SOCIAL PROTECTION SUPPORT FOR FOOD PRICE CRISIS GOJ/IDB LOAN 1559/OC – JA

7.2.51 The Government of Jamaica signed a contract with the Inter – American Development Bank (IDB) on January 19, 2009. The Parties agreed to amend the Kingston Water and Sanitation Project in order to reorient Fifteen Million United States dollars (US$15,000,000.00) to finance a new sub-programme (Sub-programme B) for Social Protection Support to the Food Price Crisis (SPSFPC).

7.2.52 The general objective of the SPSFPC is to contribute to the Government's strategy to reduce the intergenerational transmission of poverty by increasing human capital levels of the poor via the further consolidation of the Social Safety Net (SSN) Reform Programme.

7.2.53 The programme has two specific objectives: (i) to increase the welfare of current PATH Beneficiaries by increasing the amount of the subsidy and to incorporate additional vulnerable households to PATH; and (ii) to increase human capital levels of poor families through attendance at school and health clinics.

7.2.54 In order to achieve these objectives, the sub-programme has the following three (3) components:

1. Cash Transfers to Vulnerable Groups
2. Institutional Strengthening to Support Programme Expansion
3. Monitoring and Evaluation

7.2.55 The funding for this sub programme by the IDB was paid into the Special Account on May 11, 2010. To date, the cumulative amount of US$15 million has been expensed between May 2010 AND June 30, 2013 to fund activities under the project.

KEY FINDINGS

7.2.56 The examination of the financial transactions and accounting records of the Programme for the financial year ended March 31, 2014 revealed the following:

7.2.57 Contrary to the Loan Agreement, amounts totaling $6,993,621.49 were advanced from the Social Protection Support to Food Price Crisis (SPSFPC) funds to finance activities under the Social Protection Programme (SPP) without the requisite approval. This may result in funds not being available to complete the designated activities under the SPSFPC project.

7.2.58 Travelling allowance totaling $466,675.00 was made to an employee between April 2011 and January 2014. However, the employment contract of this individual did not include any provision for a travelling allowance. To date, the amount has not been recovered.

RECOMMENDATION

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

HEAD 4100 MINISTRY OF EDUCATION (MOE)

GOJ/IDB LOAN CONTRACT NO. 2301/OC-JA.
EDUCATION SYSTEMS TRANSFORMATION PROGRAMME (ESTP) SUPPORT FOR EDUCATION SECTOR REFORM 11 (ESPR 11)

7.2.59 The ESTP is jointly funded by the World Bank, the IDB and the GOJ. The Project aims at a more effective and efficient service delivery by expanding access, improving teaching and learning and transforming the governance structure of the education system. This is a sector-wide programme to be implemented over a ten-year period. The initial four-year phase is supported by the Project as defined in the loan documents.

7.2.60 Our audit focused on assessing the effectiveness of the internal controls to determine whether adequate systems, policies and procedures were in place to ensure the objectives of the project were achieved.

KEY FINDINGS

7.2.61 Contrary to IDB's directives, the accountant made ineligible salary payments totaling $3.3 million from project funds. This breach could result in the amount being charged to GOJ's contribution, for which no budgeted approval was obtained. Further, MOE did not provide the requisite approval for payments totaling $216,047.19, in relation to extension of two contracts.

7.2.62 The anticipated physical targets for 2013/2014 were substantially realized. However, the Ministry of Finance Monitoring Unit's report indicated that no activity took place regarding the expansion of schools to create 3000 additional spaces. The construction of the Cedar Grove High School is substantially complete; however, the fibre link connection was halted because of an ongoing disagreement between the Ministry of Education and one of the bidders.

RECOMMENDATION

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

**GOJ/IBRD LOAN CONTRACT NO. 7815 - JM
EDUCATION SYSTEMS TRANSFORMATION PROJECT
(ESTP) EDUCATION TRANSFORMATION CAPACITY
BUILDING PROJECT**

7.2.63 The general objectives of the Programme is to support the education transformation process, including institutional policy and legislative changes, and to build the capacity of the key education sector agencies such as the National Education Inspectorate (NEI), the Jamaica Teaching Council (JTC), the National Education Trust (NET) and the National College for Educational Leadership. These agencies will be transformed, along with the modernization of the Ministry, into a Central policy focused Ministry with its operational arm, the Department of School Services.

KEY FINDINGS

7.2.64 The transactions and related records of the Special Bank Account, as well as the operations of the programme were examined and revealed that:

i. ineligible salary payments totalling $6 million were made from the project's funds in contravention of directives given by the Bank;

ii. there was no evidence the relevant bond agreements, were completed for 22 employees who each received Fellowship Training costing over $300,000; in breach of established Government policies.

RECOMMENDATION

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

EARLY CHILDHOOD COMMISSION AND THE EARLY CHILDHOOD DEVELOPMENT PROJECT GOJ/IRDB LOAN AGREEMENT NO. 7554-JM

7.2.65 The Early Childhood Development Project was realized out of the recognition by the Early Childhood Commission of the need to develop a National Strategic Plan (NSP) for the Early Childhood Development sector.

7.2.66 The overarching objective of the Project is to improve child development. This objective coincides with the higher level goals of the NSP. The project will support the NSP's implementation, focusing on three specific development objectives, as follows:

i. to improve the monitoring of children's development, the screening of household-level risks, and early intervention systems;
ii. to enhance the quality of early childhood institutions; and
iii. to strengthen early childhood organizations and institutions.

7.2.67 The Loan agreement for US$15 million dollars was signed on June 10, 2008 between the Government of Jamaica and the World Bank to assist in financing the three specific objectives stated above. The original loan was restructured in July 2011, further to a mid-term review conducted between the Government of Jamaica and the World Bank as recorded on the Aide-Memoire dated May 21, 2010. The Project was scheduled for completion in September 2013. Principal repayment commenced on October 15, 2013 and is scheduled to be completed on April 15, 2038.

7.2.68 The audit reflected a generally satisfactory state of affairs. However, we observed that the audit committee did not provide satisfactory oversight over the internal audit function. Further, some board members were not faithful in attending board meetings. Consequently, some minutes of meetings could not be confirmed and the ability of the Board to make timely decisions on operations of the Commission was also affected.

Outstanding Statutory Deductions

7.2.69 We also noted that the Commission did not pay the employer's portion of National Insurance Scheme and National Housing Trust contributions related to teacher salary subsidies paid to Early Childhood Practitioners. The outstanding balances as at March 31, 2014 were $207.5 million.

7.2.70 Management was advised to make efforts to correct the weaknesses noted and to take steps toward ensuring that breaches of established regulations are adequately addressed. We also recommended that management continue to pursue the legal advice of the Attorney General to determine whether the ECC is liable to pay the outstanding contributions.

NATIONAL COUNCIL ON EDUCATION

7.2.71 We audited the accounting records and financial transactions of the National Council on Education for the period April 2013 to March 2014. The aim of the audit was to assess whether its operations were in compliance with the National Council of Education Act (1993) and Government of Jamaica regulations, and whether the financial statements were prepared in keeping with the applicable financial reporting framework. The audit also focused on assessing the effectiveness of the controls over the preparation and presentation of the Accounts.

KEY FINDINGS

7.2.72 The audit revealed deficiencies in the controls over expenditure and the need for proper segregation of duties especially between accounting and human resource functions. There was also need for strengthening of the controls over fixed asset inventory.

RECOMMENDATION

Management was advised to implement the necessary corrective measures to ensure that the Council's assets are adequately safeguarded and reduce the likelihood of errors and irregularities occurring. I was subsequently advised that measures were being implemented to address the weaknesses identified.

HEAD 4200 – MINISTRY OF HEALTH (MOH)

HEAD 4235 – GOVERNMENT CHEMIST DEPARTMENT

7.2.73 The Department of Government Chemist provides services in analytical chemistry to government agencies and departments, as requested; and to non-governmental entities or individuals on a fee-paying basis. Technical advice and scientific opinions in matters within the expertise of the Department are also provided when they are required. The report highlighted weaknesses in the management of fixed asset and the lodgement of funds, which were subsequently corrected.

HEAD 5100 – MINISTRY OF AGRICULTURE & FISHERIES (MAF)

AGRICULTURAL COMPETITIVENESS PROGRAMME (ACP) GOJ/IADB LOAN NO. 2444/OC-JA

7.2.74 The Agricultural Competitiveness Programme's overall aim is to increase the competitiveness in the agricultural sector. The specific objectives are:

i. to increase the capacity of small and medium farmers to access national and international markets;
ii. to increase the performance of the country's food quality and safety management systems; and
iii. to foster the development of agricultural and agro-processing value chain.

7.2.75 The Project is executed by the Ministry of Agriculture and Fisheries through the Agro Investment Corporation (AIC) with a loan of US$15 million from the Inter-American Development Bank (IADB). The project commenced in November 2010.

7.2.76 The audit revealed a generally satisfactory state of affairs. Few weaknesses were noted in the payment of salaries and the management of motor vehicles. However, management has taken steps to address the weaknesses noted.

5600, 5600A, 5600B – MINISTRY OF ENERGY AND MINING AND AGENCIES

ENERGY SECURITY AND EFFICIENCY ENHANCEMENT PROJECT (ESEEP)- GOJ/IBRD Loan Contract No. 8007-JM

7.2.77 ESEEP is funded by a US$15 million loan from the International Bank for Reconstruction and Development (IBRD) and is geared towards increasing energy efficiency and security through the implementation of the Government of Jamaica National Energy Policy.

7.2.78 The Project is expected to be implemented over a four year period from May 2011 to June 2015 and consists of three components:

i. Component 1: Strengthening the regulatory and institutional framework to improve sector performance, increase private investment and transition to cleaner fuels.

ii. Component 2: Developing the energy efficiency and renewable energy potential of Jamaica.

iii. Component 3: Project monitoring and evaluation.

7.2.79 The audit revealed a generally satisfactory state of affairs. However, it was noted that the project experienced difficulties in achieving the activities being implemented by the Bureau of Standards Jamaica and the Development Bank of Jamaica which could hinder the achievement of the Programme objectives.

7.2.80 With the exception of the matter noted under fixed asset management, no weaknesses were noted in the internal control structure of the Project Unit. No instances were noted where the Unit acted contrary to the terms of the loan agreement or other applicable regulations.

7.2.81 Management was advised to take the necessary action to correct the weakness identified and to increase efficiency in its operations to prevent further delays.

HEAD 7200 - MINISTRY OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT

THE ASSOCIATION OF LOCAL GOVERNMENT AUTHORITIES OF JAMAICA (ALGAJ)

7.2.82 The accounting records and financial transactions of ALGAJ were audited in accordance with the Financial Administration and Audit (FAA) Act. Our audit focused on evaluating 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 ALGAJ.

KEY FINDINGS

7.2.83 We observed internal control weaknesses in procurement of goods and services which resulted in 311 payment vouchers totaling $8 million not having the necessary supporting documents attached; not stamped paid or possessing the signature of the requisite authorizing officer. This is not only a breach of the requirements of the FAA Act and standard accountancy procedures; but it may also result in unauthorized/improper payments being made. Additionally, losses could arise as a result of duplicate payments being made. In the event a loss occurs, the responsible officers could be liable to repay up to the full amount of such loss.

7.2.84 An officer received compensation amounting $90,000.00 without evidence of a formal letter of employment being prepared. This contravenes the government of Jamaica employment procedures and limits the scope of our ability to verify whether the employee was properly engaged and entitled to the salary and allowances received.

7.2.85 For the period under review fixed assets amounting to $172,965.62 were not recorded in a fixed asset register and marked with unique asset codes. This limits the association's ability to effectively control the assets it owned and reduce risks associated with losses.

RECOMENDATIONS

Management was advised to make efforts to correct the control weaknesses noted and to take steps toward ensuring that breaches of established regulations are adequately addressed.

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APPENDICES

APPENDIX 1 – STAFF TRAINING

STAFF TRAINING					**Comments**
Operational Strategies	**2014**		**2015**		
	Planned	**Actual**	**Planned**	**Actual**	
Induction Courses (Internal) -=+ Basic Audit Training for all audit recruits	**12**	**4**	**30**		
Information Technology					
• Microsoft Office suite (Word, Excel, Outlook)	**All staff**	**None**	**All Staff**		
• Microsoft Office – PowerPoint & Access	**20**	**None**	**All Staff**		
• Technical training for IT staff: Hardware, Networking, Software maintenance	**1**		**2**		
• TEAMMATE training	**All Audit Staff**	**All Audit Staff**	**Refresher training**		
• **IDEA Data Analysis Training**					
Auditing					
Basic Audit Training for new recruits	**All new Audit Staff + newly promoted staff**		**All new Audit Staff + newly promoted staff**		
Information Technology Audit	**-**		**20**		
• Auditing Techniques (external)	**All new staff**	**None**			
• Financial Statements Audit	**25 persons**	**25**	**All FSA staff**		
• Risk-based audits		**Continuous training on the job**			
• Risk-based approach to Financial Audits					
• Environmental Audits (external)	**-**		**-**		
• Performance Audit training	**30 persons**	**30**	**Continued from 2014**		
• Risk Management – ACCA sponsored		**21 persons**			**Held in 2013**

STAFF TRAINING					Comments
Operational Strategies	**2014**		**2015**		
	Planned	**Actual**	**Planned**	**Actual**	
• Report writing, Financial Statements Auditing & Assessment of Internal Controls – ACCA		**40**			
• International Training Programe in IT Auditing – India	**1**	**None**	**1**		
• International Training Programe in Environmental Auditing – India	**1**	**None**			
• International Training Programe in Financial Statements Auditing – India	**1**	**None**			
• TeamMAte Training	**All Audit Staff**	**All Audit Staff**			
• IPSAS Training		**All levels of Audit Staff – 32**			
• **Financial Systems & Financial Regulations; Duties & responsibilities of AGD; Supervisory Management - in Levels 1 – 4**			**All Staff (phased)**		**Programmes developed by AGD /MIND**
General					
Report Writing (external)		**None**	**All Staff**		
Supervisory Management		**None**	**AS3 & above + Adm Staff**		
Financial Management Information System (FINMAN) for Accountants	**On going for all Accounts Staff – conducted by MOF**				
Management / Supervisors					
• Internal, with internal facilitators (EMM)	**12 persons per month at EMM**	**none**	**12 persons per month at EMM**		
• Internal, with external facilitators					
• External training					
Government Accounting	**5**	**6**	**5**		
Introduction to Government Procurement Procedures	**6 (Procurement Cttee) +**	**3**	**8**		**No course offered at MIND in 2014. Workshop held**

STAFF TRAINING					Comments
Operational Strategies	**2014**		**2015**		
	Planned	**Actual**	**Planned**	**Actual**	
					by MOF
Secretarial Courses					
• Administrative Management (CAM)			**2**		
• Minute taking			**3**		
General Training courses					
• Supplies Management Levels 3&4	**1**	**1**			
• Training for Telephone Operators	**4 (Registry/ Temp)**	**3**	**3**		**Refresher course in 2015**
• Public Speaking & Presentation skills	**10 Supervisors**	**None**			
• Records & Information Management	**4 Registry**	**1**	**4 +**		**Registry Data system to be upgraded. Additional training will be required**
• E-census training for HR Management					
• Public Sector Skills Training	**None**				**Awaiting instructions from MOF**
• Human Resources Management for Sector Officers			**4**		
• Customer Service			**All Staff**		
Other Professional Training					
• IDI – E-Learning programme a Risk based approach to Financial Audits	**3 persons x 6 weeks**	**3 persons x 6 weeks**			
• ISSAI Certification Programme for Financial Audits	**2 persons x 3 months**	**2 persons x 3 months**	**2 persons x 3 months**		

STAFF TRAINING					Comments
Operational Strategies	**2014**		**2015**		
	Planned	**Actual**	**Planned**	**Actual**	
• ISSAI Certification Programme for Compliance Audits	**2 persons x 3 months**	**2 persons x 3 months**	**2 persons x 3 months**		
• ISSAI Certification Programme for Performance Audits	**2 persons x 3 months**	**2 persons x 3 months**	**2 persons x 3 months**		
• Facilitation for ISSAI Certification Programme	**1**	**1**			
• IDI / CAROSAI Programme on Cooperative Audit of Revenue Departments	**2 persons x 2 occasions**	**2 persons x 2 occasions**			
• Introduction to Performance Audits (National Audit Office)	**30**	**30**			

November 11, 2014

APPENDIX 2: STATUS OF FINANCIAL STATEMENT AUDITS WITH FIELDWORK IN PROGRESS

No.	Name of Entity	Financial Years	Quantity	Reason
1	St. Ann Parish Library	2008/09 – 2011/12	4	Fieldwork in Progress
2	KSAC	2005/06 – 2006/07	2	Field work in progress
3	St. Ann Parish Council	2007/08 – 2008/09	2	Field work in progress
4	Portmore Parish Council	2004/05	1	Field work in progress
5	Trelawny Parish Council	2008/09 – 2009/10	2	Field work in Progress
6	National Insurance Scheme Consolidated Financial Statements	2009/10 – 2013/14	5	Field work in progress
7	National Works Agency	2013/14	1	Review of Field work in Progress
8	Fair Trading Commission	2011/12	1	Review of Field work in Progress
9	Jamaica Intellectual Property organisation	2013/14	1	Fieldwork in Progress
10	National Youth Service	2010/11	1	Field work in Progress
11	Registrar General's Department	2012/13	1	Field work in progress
12	Management Institute of National Development	2007/08	1	Field work in progress
	TOTAL		**22**	

APPENDIX 3: STATUS OF FINANCIAL STATEMENT AUDITS COMPLETED AND AWAITING CERTIFICATION

No.	Name of Entity	Financial Years	Quantity	Reason
1	National Environmental & Planning Agency	2012/13	1	Returned to Client for Review and sign-off
2	National Youth Service	2008/09 to 2009/10	2	Quality Assurance Review
3	Police Civilian Oversight Authority	2013/14	1	Returned to Client for Review and sign-off
4	National Council on Education	2013/14	1	Returned to Client for Review and sign-off
5	Financial Investigation Division	2013/14	1	Returned to Client for Review and sign-off
6	Jamaica Library Service	2012/13	1	Returned to Client for Review and sign-off
7	Fair Trading Commission	2009/10 – 2010/11	2	Returned to Client for Review and sign-off
8	Provident Fund	2009/10 – 2013/14	5	Returned to Client for Review and sign-off
9	Land Administration & Management Programme	2007/08 – 2011/12	5	Returned to Client for Review and sign-off
10	Forestry Department	2011/12	1	Returned to Client for Review and sign-off
11	National Insurance Scheme Consolidated Financial Statements	2008/09	1	Returned to Client for Review and sign-off
12	Public Sector Modernization Project	2009/10 – 2010/11	2	Returned to Client for Review and sign-off
13	Capital Development Fund	2001/02 – 2002/03	2	Returned to Client for Review and sign-off
14	Capital Development Fund	2003/04 – 2013/14	11	Quality Assurance Review
	TOTAL		**36**	

APPENDIX 4: STATUS OF APPROPRIATION ACCOUNTS AUDITS WITH FIELDWORK IN PROGRESS

No.	Name of Entity	Financial Year	Head No.	Quantity	Reason
1	Ministry of Science Technology, Energy & Mining	2013/14	5600, 5600A & 5600B	3	Fieldwork in Progress
2	Office of the Cabinet	2013/14	1600, 1600A & 1600B	3	Review of Field work in Progress
3	Ministry of Finance & Planning	2013/14	2000B	1	Review of Field work in Progress
4	Passport, Immigration & Citizenship Agency	2012/13	2653	1	Review of Field work in Progress
5	Ministry of National Security	2012/13	2600, 2600A & 2600B	3	Review of Field work in Progress
6	Ministry of National Security	2010/11	2600, 2600A & 2600B	3	Review of Field work in Progress
7	Police Department	2011/12	2622	1	Review of Field work in Progress
8	Ministry of National Security	2010/11	2600B	1	Review of Field work in Progress
9	Trustee in Bankruptcy	2011/12	2832	1	Review of Field work in Progress
10	Post & Telecommunications Department	2013/14	5639	1	Review of Field work in Progress
11	Jamaica Information Service	2013/14	1510	1	Review of Field work in Progress
12	Ministry of Transport, Works & Housing	2013/14	6500, 6500A & 6500B	3	Field Work in Progress
13	Ministry of Local Government & Community Development	2013/14	7200, 7200A & 7200B	3	Review of Field work in Progress
14	Ministry of Water, Land, environment & Climate Change	2013/14	6700, 6700A & 6700B	3	Review of Field work in Progress
15	Department of Correctional Services	2011/12	2624	1	Review of Field work in Progress
16	Department of Correctional Services	2012/13	2624	1	Review of Field work in Progress
	TOTAL			**30**	

APPENDIX 5: STATUS OF APPROPRIATION ACCOUNTS AUDITS COMPLETED AND AWAITING CERTIFICATION

No.	Name of Entity	Financial Year	Head No.	Quantity	Reason
1	Management Institute for National Development	2013/14	1649	1	To be returned to client for Corrections
2	Tax Administration Jamaica	2013/14	2056	1	Returned to Client for Corrections
3	Jamaica Customs Agency	2012/13	2012	1	To be returned to client for Corrections
4	Ministry of Foreign Affairs	2005/06	3000	1	Returned to Client for Corrections
5	Ministry of Foreign Affairs	2006/07	3000	1	Returned to Client for Corrections
6	Ministry of Foreign Affairs	2009/10	3000	1	Returned to Client for Corrections
7	Ministry of Foreign Affairs	2013/14	3000	1	Returned to Client for Corrections
8	Ministry of Education	2011/12	4100	1	Returned to Client for Corrections
9	Ministry of Education	2012/13	4100A	1	Returned to Client for Corrections
10	Ministry of Health	2010/11	4200A	1	Audit being finalized, awaiting additional documents from Client
11	Ministry of Health	2011/12	4200A & 4200B	2	Audit being finalized, awaiting additional documents from Client
12	Government Chemist	2010/11	4235	1	Audit being finalized, awaiting additional documents from Client
13	Government Chemist	2011/12	4235	1	Audit being finalized, awaiting additional documents from Client
14	Office of the Public Defender	2012/13	0300	1	Returned to Client for Corrections
	TOTAL			**15**	

FOR THE CALENDAR YEAR 2014

Appendix 6: Schedule of Financial Statements & Receipts and Payments Audits

	Name of Entity	Last Certified	Planned	Quantity	Fieldwork Completed	Quantity	Certified During the year	Quantity
1	National Environment & Planning Agency	2011/12	2011/12 to 2012/13	2	2011/12 to 2012/13	2	2011/12	1
2	Management Institute of National Development	2005/06	2005/06 to 2007/08	3	2005/06 to 2006/07	2	2005/06	1
3	Companies Office of Jamaica	2013/14	2013/14	1	2013/14	1	2013/14	1
4	Passport Immigration & Citizenship Agency	2008/09	2008/09	1	2008/09	1	2008/09	1
5	Registrar General's Department	2011/12	2008/09 to 2012/13	5	2008/09 to 2011/12	4	2008/09 to 2011/12	4
6	Council of Community Colleges of Jamaica	2010/11	2010/11	1	2010/11	1	2010/11	1
7	Firearm Licensing Authority	2013/14	2013/14	1	2013/14	1	2013/14	1
8	National Youth Service	2007/08	2006/07 to 2009/10	4	2006/07 to 2009/10	4	2006/07 to 2007/08	2
9	Administrator General's Department	2013/14	2013/14	1	2013/14	1	2013/14	1
10	Jamaica Information Service	2013/14	2013/14	1	2013/14	1	2013/14	1
11	National Land Agency	2005/06	2006/07	1	2006/07	1	-	-
12	Anti-dumping and Subsidies Commission	2011/12	2010/11 to 2011/12	2	2010/11 to 2011/12	2	2010/11 to 2011/12	2
13	Early Childhood Commission	2013/14	2013/14	1	2013/14	1	2013/14	1
14	Jamaica Intellectual Property Office	2012/13	2013/14	1	-	-	-	-
15	Police Civilian Oversight Authority	2012/13	2013/14	1	2013/14	1	-	-
16	Fair Trading Commission	2008/09	2009/10 to 2011/12	3	2009/10 to 2010/11	2	-	-
17	National Works Agency	2012/13	2011/12 to 2013/14	3	2011/12 to 2012/13	2	2011/12 to 2012/13	2
	Programme of Advancement Through Health and Education:							
18	Integrated Social Protection and Labour Programme	2013/14	2013/14	1	2013/14	1	2013/14	1
19	Social Protection Support to food price crisis	2013/14	2013/14	1	2013/14	1	2013/14	1

	Name of Entity	Last Certified	Planned	Quantity	Fieldwork Completed	Quantity	Certified During the year	Quantity
20	Grants for Jamaica Conditional Cash Transfer Programme	2013/14	2013/14	1	2013/14	1	2013/14	1
21	Social Protection Project	2013/14	2013/14	1	2013/14	1	2013/14	1
	Education Systems Transformation Project:							
22	Support for Education Sector Reform	2013/14	2013/14	1	2013/14	1	2013/14	1
23	Education Transformation Capacity Building Programme	2013/14	2013/14	1	2013/14	1	2013/14	1
24	Agricultural Competitiveness Programme	2013/14	2013/14	1	2013/14	1	2013/14	1
25	National Insurance Scheme Consolidated Financial Statements	2007/08	2007/08 to 2011/12	5	2007/08 to 2009/10	3	2007/08	1
26	Social Development Commission	2010/11	2001/02 to 2010/11	10	2001/02 to 2010/11	10	2001/02 to 2010/11	10
27	Road Maintenance Fund	2013/14	2013/14	1	2013/14	1	2013/14	1
28	Forestry Department	2010/11	2010/11 to 2011/12	2	2010/11 to 2011/12	2	2010/11	1
29	Energy Efficiency Enhancement Project	2013/14	2013/14	1	2013/14	1	2013/14	1
30	National Council on Drug Abuse	2006/07	2006/07	1	2006/07	1	2006/07	1
31	Capital Development Fund	2001/02	2001/02 to 2013/14	13	2001/02 to 2013/14	13	-	-
32	Farm & Factory Workers Programme	2013/14	2013/14	1	2013/14	1	2013/14	1
33	Association of Local Government Association of Jamaica	2012/13	2009/10 to 2012/13	4	2009/10 to 2012/13	4	2009/10 to 2012/13	4
34	Financial Investigation Division	2012/13	2010/11 to 2013/14	4	2010/11 to 2013/14	4	2010/11 to 2012/13	3
35	National Council on Education	2013/14	2013/14	1	2013/14	1	-	-
36	Provident Fund	2008/09	2009/10 to 2013/14	5	2009/10 to 2013/14	5	-	-
37	Land Administration and Management Programme	2006/07	2007/08 to 2011/12	5	2007/08 to 2011/12	5	-	-
38	Jamaica Library Service	2011/12	2011/12 to 2012/13	2	2011/12 to 2012/13	2	2011/12	1

	Name of Entity	Last Certified	Planned	Quantity	Fieldwork Completed	Quantity	Certified During the year	Quantity
39	Manchester Parish Council	2007/08	2003/04 to 2007/08	5	2003/04 to 2007/08	5	2003/04 to 2007/08	5
40	Trelawny Parish Council	2007/08	2008/09 to 2009/10	2	-	-	-	-
41	Portmore Parish Council	2004/05	2004/05	1	-	-	-	-
42	St. Ann Parish Council	2006/07	2007/08 to 2008/09	2	-	-	-	-
43	Westmoreland Parish Council	2004/05	2005/06 to 2006/07	2	2005/06 to 2006/07	2	-	-
44	Kingston & St. Andrew Corporation	2004/05	2005/06 to 2006/07	2	-	-	-	-
45	St. Ann Parish Library	2007/08	2004/05 to 2011/12	8	2004/05 to 2007/08	4	2004/05 to 2007/08	4
46	St. James Parish Library	2008/09	2004/05 to 2008/09	5	2004/05 to 2008/09	5	2004/05 to 2008/09	5
47	Hanover Parish Library	2007/08	2006/07 to 2007/08	2	2006/07 to 2007/08	2	2006/07 to 2007/08	2
48	St. Mary Parish Library	2009/10	2007/08 to 2009/10	3	2007/08 to 2009/10	3	2007/08 to 2009/10	3
49	St. Thomas Parish Library	2008/09	2007/08 to 2008/09	2	2007/08 to 2008/09	2	2007/08 to 2008/09	2
50	Trelawny Parish Library	2008/09	2007/08 to 2008/09	2	2007/08 to 2008/09	2	2007/08 to 2008/09	2
51	Manchester Parish Library	2010/11	2008/09 to 2010/11	3	2008/09 to 2010/11	3	2008/09 to 2010/11	3
52	Clarendon Parish Library	2006/07	2006/07	1	2006/07	1	2006/07	1
53	Wesmoreland Parish library	2007/08	2007/08	1	2007/08	1	2007/08	1
54	Jamaica Veterinary Board	2013/14	2013/14	1	2013/14	1	2013/14	1
55	Private Security Regulation Authority	2013/14	2011/12 to 2013/14	3	2011/12 to 2013/14	3	2011/12 to 2013/14	3
56	Milk River Bath	2006/07	2005/06 to 2006/07	2	2005/06 to 2006/07	2	2005/06 to 2006/07	2
57	Bath Fountain Hotel and Spa	2009/10	2008/09 to 2009/10	2	2008/09 to 2009/10	2	2008/09 to 2009/10	2
58	Public Sector Modernisation Programme	2008/09	2009/10 to 2010/11	2	2009/10 to 2010/11	2	-	-
59	Jamaica National Heritage Trust	2001/02	2002/03	1	2002/03	1	-	-
Total				**146**		**128**		**86**