

**ACTIVITY-BASED AUDIT REPORT
AUDITOR GENERAL OF JAMAICA**

Jamaica Tourist Board

Management of Overseas Marketing Funds

**Prepared by:
The Auditor General's Department, Jamaica
October 2015**



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

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:-

Tel. No.: 926-8309/926-5963/926-5846

Fax Number: 968-4690

audaen@auditorgeneral.gov.im

November 2, 2015

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

Dear Sir,

In accordance with the provision of Section 29 of the Financial Administration and Audit (FAA) Act, I have the honour to submit my report on the findings and recommendations of the Activity-based Audit on the Jamaica Tourist Board for tabling in the House of Representatives.

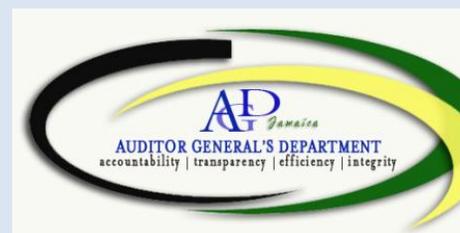
Yours faithfully,

Pamela Monroe Ellis (Mrs.)
Auditor General

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

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

This report was prepared by the Auditor General's Department of Jamaica for presentation to the Board and Management of JTB.



Auditor General of Jamaica
Auditor General's Department
40 Knutsford Boulevard
Kingston 5, Jamaica, W.I.
www.auditorgeneral.gov.jm

Table of Contents

EXECUTIVE SUMMARY	6
KEY FINDINGS	7
RECOMMENDATIONS.....	8
PART ONE	11
INTRODUCTION	11
<i>Role and Function of the Jamaica Tourist Board.....</i>	<i>11</i>
<i>JTB's mission statement.....</i>	<i>11</i>
<i>JTB's vision statement.....</i>	<i>11</i>
<i>Geographic Markets.....</i>	<i>12</i>
<i>Organisation and Staffing.....</i>	<i>12</i>
<i>Relationship between the Board of Directors and JTB's management.....</i>	<i>13</i>
<i>Financing of JTB overseas marketing activities.....</i>	<i>14</i>
<i>The focus of our audit and audit approach.....</i>	<i>15</i>
<i>Acknowledgements.....</i>	<i>15</i>
PART TWO	17
ASSESSMENT OF JTB's GOVERNANCE PRACTICES	17
<i>JTB did not demonstrate that they were monitoring and evaluating the performance of their major marketing service providers.....</i>	<i>18</i>
<i>Only 25 per cent of JTB's marketing representatives have valid contracts.....</i>	<i>19</i>
<i>JTB's oversight of sponsored events is Inadequate.....</i>	<i>20</i>
<i>JTB's performance indicators measure the tourism industry's activity rather than the impact of its marketing programmes on the achievement of its intended outcomes.....</i>	<i>21</i>
APPENDICES.....	25
APPENDIX 1: BREAKDOWN OF OVERSEAS MARKETING BUDGET AND EXPENDITURE DURING PERIOD 2012-2015	25
APPENDIX 2: REQUIREMENTS AGAINST WHICH APPLICATIONS FOR SPONSORSHIP ARE REVIEWED.....	26
APPENDIX 3: TWENTY-EIGHT EVENTS JTB SPONSORED DURING 2014-2015	27
APPENDIX 4: ABOUT THE AUDIT	28
APPENDIX 5: CHARTS	29

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Executive Summary

The Jamaica Tourist Board (JTB) was established by the Tourist Board Act (1955) to, among other duties and functions, *'develop all aspects of the tourist industry of Jamaica and to promote its efficiency'* as well as *'adopt all such measures they may deem fit to advertise and publicize Jamaica as a tourist resort throughout the year'* within the limits of their resources.

An audit of the tourism marketing and promotions activity was conducted to determine whether the JTB has adequate systems in place to efficiently monitor and measure the effectiveness of its overseas marketing efforts and locally sponsored events on visitor arrival. In addition, we sought to ascertain whether appropriate levels of accountability were in place to ensure that value for money was achieved. The level of compliance with the applicable laws and guidelines that govern the operations were also evaluated. The key findings are summarised below:

Key Findings

1. **The indicators used by JTB to measure performance are influenced by the activities of the tourism sector as a whole which obscures the assessment of its intended outcome, as the fluctuation in the indicators cannot be directly linked to JTB's marketing intervention.** JTB's objectives are to market Jamaica effectively, to ensure that the product is in tandem with recognized consumer needs and to increase the contribution of tourism to the national economy, as measured through employment generation, contribution to Gross Domestic Product (GDP), and linkage with other sectors. JTB uses the KPIs listed below to assess the effectiveness of its marketing strategy. However, JTB did not develop performance indicators directly related to marketing. It is therefore necessary for JTB to develop performance indicators to assess its specific contribution to the tourism sector to ensure that its expenditure on the various activities yield the intended outcomes. This is also particularly useful to enable JTB's self assessment of its performance to determine the effectiveness of its marketing strategy. JTB admitted that the need for clearer and more direct performance indicators and priorities had not been evident until this audit exercise. JTB also indicated that going forward they would prepare their corporate plan to reflect main indicators related to its operations as opposed to the tourism sector.

JTB's key performance indicators (KPI) are to:

- I. Increase stop over arrivals
 - II. Increase cruise ship arrivals
 - III. Increase gross foreign exchange earnings
 - IV. Increase hotel accommodation; and
 - V. Increase employment in the tourist sector
2. **JTB did not have a structured mechanism to assess the economy and efficiency of its marketing activities.** Consequently, we were not satisfied that JTB had assured itself that value was obtained for J\$4.07 billion paid to marketing and public relation service providers to promote the country as a tourist destination over the period 2012-2015. JTB engaged one agency to provide global advertising services and two others to provide public relations and marketing services for the Americas, Europe and the United Kingdom. Although, the agencies submitted annual plans and reports on JTB's request, we found that JTB did not implement a structured monitoring arrangement to ensure robust review of these reports in order to assess the agencies' performance relative to the agreed upon deliverables. We also noted inconsistencies with the contractual obligations of the agencies. JTB did not require all agencies to submit annual plans. This lack of standardization compromised JTB's ability to examine and influence the marketing strategy of these agencies in a structured manner.
 3. **JTB did not seize the opportunity to negotiate better terms or capitalize on competitive market rates when some service providers' contracts expired.** Further, it did not ensure that the interest of the government was legally protected; but rather appeared to have relied on the goodwill relationship established with the marketing representatives. JTB engaged the services of marketing representatives to undertake direct promotional activities on a country level. We found that contracts for three

marketing representatives included a rollover clause that enabled automatic renewal for a maximum of one year, if JTB did not issue a notice of termination. Two of the three contracts expired in December and July 2006; whereas the third expired in June 2009. The arrangement with the other three marketing representatives was being guided by contracts that expired between 2007 and 2012. The JTB has paid amounts totaling J\$183,361,799 to these marketing representatives for the period 2012-2015. Subsequent to the audit, JTB took steps to regularize four of the expired contracts. However, at the date of this report, the procurement process was incomplete.

4. **We found that JTB did not have a Board charter that details the roles and responsibilities of the members as well as procedures for dealing with conflicts of interest.** The Tourist Board Act outlines the powers of the Board to perform its functions. This should involve the Board establishing a good governance framework to ensure effectiveness in its oversight and strategic management responsibilities, and the institutionalization of ethical standards in the day-to-day operations. Board members were however not required to disclose for record any business or other interest that are likely to create a conflict of interest; this runs contrary to good governance practices.
5. **We noted that the Director of Tourism (DOT) is a member of the Audit and Finance Committee.** This arrangement represents a conflict of interest as one of the roles of the Audit and Finance Committee includes an examination of the stewardship of the DOT. JTB advised that they would be implementing processes and structures consistent with the Corporate Governance Framework for Public Bodies.

Recommendations

The following three recommendations arising from the audit will improve the effective monitoring and evaluation of the JTB's promotion efforts:

1. JTB should set performance measures that are focused on assessing the intended outcomes attributable to the advertising and marketing programmes. This would allow JTB to determine the extent to which its investment in promoting/marketing the country contributed to reported increases in tourist arrival and the amount spent by each tourist in a specified period. In addition, this would enhance JTB's ability to correlate the expenditure on promotional activities with revenue earned from visitors.
2. JTB should implement sound financial management arrangements to ensure that the various cost centers are effectively managed. Further, JTB should consistently monitor and evaluate contractors' performance to determine whether they are fulfilling their obligations under the contract.
3. In keeping with good governance practices, the Board should develop a Charter that sets out among other things, the role and responsibilities of the Board of Directors and the Director of Tourism, a governance framework to address conflict of interest, and the

Executive Summary

pecuniary interest of directors. In addition, the members of the audit committee should be independent of any material relationship with the entity, in compliance with the Corporate Governance Framework for Public Bodies.

JTB acknowledged the concerns highlighted by us. While there were no specific assurances regarding the timelines within which our recommendations would be acted upon, we were assured that they were being considered.

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Part One

Introduction

This Chapter provides an overview of the Jamaica Tourist Board (JTB), its operating environment and financial resources.

Role and Function of the Jamaica Tourist Board

1.1 The Jamaica Tourist Board (JTB) is Jamaica's national tourism marketing agency. Created by the Tourist Board Act (April 1955), JTB leads the Jamaican tourism industry in marketing Jamaica as the premier, all-year-round, Caribbean tourist destination.

1.2 As outlined in the Tourist Board Act, JTB's statutory mandate, inter alia, is to:

- a) *develop all aspects of the tourist industry of Jamaica and to promote its efficiency;*
- b) *adopt all such measures as they may deem fit to advertise and publicize Jamaica as a tourist resort throughout the year;*
- c) *promote and secure such increased shipping and airline facilities as will tend to increase tourist traffic to Jamaica; and*
- d) *encourage by such measures as they may deem fit the development of such amenities in Jamaica as may be calculated to enhance the attractiveness of Jamaica to tourists.*

1.3 JTB was originally responsible both for marketing Jamaica as a tourist destination as well as for product development. Product development became the responsibility of the Tourism Product Development Company (TPDCo) with its establishment in the 1970s. In 1981, TPDCo was merged with JTB. In 1993, the marketing and product functions were again separated and remain so to date. However, the statutory responsibility for this area still resides with JTB under the Tourist Board Act.

JTB's mission statement

1.4 *To develop and market the tourist industry so that Jamaica remains the premier Caribbean tourist destination.*

JTB's vision statement

1.5 *To be the most efficient and respected public sector agency, dedicated to the marketing of the destination and to enabling the tourism industry to achieve sustainable growth and development.*

Geographic Markets

1.6 JTB collaborates with partners in the tourism industry to promote Jamaica as a premier Caribbean tourist destination. Their current approach targets international travelers in five geographic areas referred to as major markets. These are Canada, United States of America, Latin America, United Kingdom and Europe.

Organisation and Staffing

1.7 An eleven-member Board of Directors oversees the operations of JTB. The Board, which also includes the Director of Tourism (the head of the agency), is appointed by the Minister of Tourism. The Minister elects a chairperson from among the members. Members are appointed for terms of three years. The directors are compensated for their service and are reimbursed for expenses, including travel expenses necessary for the performance of their duties. Three sub-committees support the Board (see Table 1).

Table 1 JTB’s Board Committees

Committee	Function
Finance and Audit	Reviews: <ul style="list-style-type: none"> • The financial management and reporting process; • The system of internal control and financial risks; and • The company’s process for monitoring compliance with laws and regulations and its own code of business conduct.
Marketing	Assist the Board to discharge its duties concerning the Board’s marketing, corporate development plans and projections, to ensure that the image of Jamaica is promoted on standards and criteria that meet with the objectives and policies of the Board, taking into consideration all internal and external requirements.
Events & Licensing	Responsible for the selection, disbursement, monitoring and evaluation of all funds expended on events.

Source: AuGD’s compilation of JTB information

Relationship between the Board of Directors and JTB's management

- 1.8** The Director of Tourism (DOT) is accountable to the Board of Directors for the management and performance of the agency. The Board is accountable to Parliament through the Minister of Tourism. The primary vehicles for reporting to the Government are the annual report and estimates, which are tabled annually in Parliament. JTB should submit the requisite reports in accordance with the Tourist Board Act.
- 1.9** JTB has a functional internal audit department that reports directly to the Finance and Audit Committee. The Internal Audit Department is guided by an Internal Audit Charter, which is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The Charter also establishes the internal audit unit's position within the organization, including the nature of the Chief Audit Executive's functional reporting relationship with the Board and senior management. According to the JTB's Internal Audit Charter, its function is to assist all members of management in the effective discharge of their duties by furnishing them with analyses, appraisals, recommendations and comments pertinent to JTB's activities.
- 1.10** The Marketing Department reports to the Board through the Marketing Committee. JTB's marketing Department is responsible for worldwide marketing and communication programmes and supports the initiatives taken by the sales team to advance Jamaica's tourism interests.
- 1.11** The recommendations from the Events Unit, through the events and licensing committee, influence JTB's decision regarding the selection of events that meet the criteria for effective destination marketing. The main objectives of the Unit are to re-define, streamline and manage, in conjunction with the Board of Directors' Events Sub-Committee, the processes and criteria by which events are reviewed and given support by JTB.
- 1.12** Monthly financial reports are prepared by the Chief Financial Officer of the Finance Department and submitted to the Chairman of the Finance and Audit Committee, after which these reports are presented to the Board. The Finance Department has the responsibility for administering JTB's finances in accordance with the laws, rules, instructions and regulations laid out in the Government's Financial Administration and Audit (FAA) Act and the Tourist Board Act.
- 1.13** At the time of the audit, JTB had a staff complement of 127 that operated from five branches: its main office in Kingston along with offices in Montego Bay, Miami, Toronto and London. Reporting to the DOT are three Deputy Directors; directly responsible for:
- Tourism Sales/USA;
 - Marketing; and
 - Cruises, Events and Attractions.

1.14 There are six Regional Directors with management responsibilities for various tourism regions across the world; four report directly to the DOT and the other two report to the Deputy Director of Tourism, Sales/USA

Financing of JTB overseas marketing activities

1.15 The JTB's main source of funding is through direct allocation from the Government of Jamaica (GOJ) and its fees approved as Appropriation-in-Aid funding. The funds are provided in Jamaican Dollars. JTB's budgeted expenditure averaged J\$2.8 billion (US\$16.25 million) per year over the three-year period 2012-13 to 2014-15. In two of the three years, audited actual expenditure in Jamaican Dollar and US dollar terms was below budget. JTB's actual per capita expenditure averaged US\$4.30 compared to average expenditure per visitor of US\$648.5. We were unable to determine how much of this US\$648.5 spent by each visitor was attributable to the JTB's per capita expenditure of US\$4.30. (see Table 2).

Table 2 JTB's budgeted and actual expenditure for 2012-13 to 2014-15

	Actual US\$	Budgeted US\$	Difference US\$	Visitor Arrival	Visitor Expenditure US\$	JTB Per Capita Expenditure US\$	Per Capita Visitor Expenditure US\$
2012-13	11,304,913	16,479,444	(5,174,531)	3,252,274.00	2,067,000,000.00	3.48	635.56
2013-14	15,392,089	16,037,257	(645,168)	3,176,634.00	2,149,000,000.00	4.85	676.50
2014-15	16,226,506	16,224,733	1,773	3,601,415.00	2,281,000,000.00	4.51	633.36

Source: JTB – prepared financial activity budget and financial statement, GOJ Estimates of Expenditure

1.16 \$5.8 billion or 68% of JTB's budgeted expenditure of \$8.5 billion is related to its core activity of tourism marketing. The remaining 32 per cent or \$3.3 billion accounts for non-core activities such as emoluments and general expenses (office rental, stationery, etc) over the period April 2012 to March 2015. Seventy-two per cent or \$4.2 billion of the allocation for tourism marketing is related to multi-year marketing contracts with three firms. These firms provide marketing services in five major market areas - USA, Canada, Latin America, United Kingdom and Europe. The remaining 28 per cent (\$1.6 billion) represented the resources required to fund activities related to engagement of marketing representatives, promotional activities undertaken by local and overseas offices and the sponsorship of local and overseas events.

1.17 Appendix 1 provides a breakdown of marketing budget and expenditure over the same period.

The focus of our audit and audit approach

1.18 The main objective of this audit was to determine whether JTB was utilizing the overseas marketing funds allocated during the period 2012-2015 in an effective and economical manner. In particular, we assessed the management of marketing contracts and agreements for the period, which included the adequacy of JTB's monitoring of contracts. We also assessed the selection, approval and evaluation reports relating to JTBs sponsorship of local events. In addition, we reviewed how JTB established key performance targets and measured its outcomes and assessed the adequacy of JTB's governance system to provide strategic direction and oversight of its activities.

Responses received from JTB were considered while preparing this report and these have been included to the extent feasible.

See **Appendix 4** for further information on the scope and audit approach.

Acknowledgements

We would like to thank the JTB management and staff for the cooperation and timely responses provided to the audit team throughout this engagement.

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Part Two

ASSESSMENT OF JTB'S GOVERNANCE PRACTICES

This Part relates to JTB's management of its three major marketing agencies and its eight marketing representatives. It also assesses JTB's performance measurement, monitoring and reporting on results of marketing efforts.

2.1 JTB contracted three marketing agencies to promote Jamaica in five major geographic areas - USA, Canada, Latin America, United Kingdom and Europe. These service providers accounted for 67 per cent of the total overseas marketing expenditure during the 2012-2015 financial years. With such a high percentage consumed by these agencies, it is expected that JTB's management processes would include appropriate checks and balances to obtain assurance that the agencies are providing services at the required standard, and there is efficient and economic use of public funds. **Table 3** shows the amount spent on the major marketing contracts during the period 2012 - 2015.

Table 3 Marketing contracts with major advertising and public relations agencies, along with expenditure during period 2012-2015

Marketing Agencies	Type of Contract	2012-2015 contract expenditure J \$	Percentage of contract expenditure
I	Global advertising	3,278,036,463	85 %
II	Public relations and marketing services for Canada, United States and Latin America	474,864,759	12 %
III	Public relations and marketing services for the United Kingdom area and Europe	89,125,561	3%
Total major contracts		3,842,026,784	100%

Note:

1. Total marketing contract expenditure represents 67 per cent of the total overseas marketing expenditure (\$3.8 billion as a percentage of \$5.7 billion)

Source: AuGD's compilation and analysis of JTB data

JTB did not demonstrate that they were monitoring and evaluating the performance of their major marketing service providers

2.2 JTB advised that its policy is that all marketing service providers should submit annual plans¹ and report on their performance against the approved plans. The marketing plan should describe all programmes, campaigns, activities, and initiatives that will be conducted within the contract year. However, only the advertising agency’s contract required the submission of annual plans. We found that the contracts of the three major marketing agencies stipulated that the contractors should provide monthly and/or quarterly reports on their related activities during the period of engagement.

2.3 We found that the JTB had a weak monitoring arrangement to review the performance of its marketing activities. This was brought out by the JTB’s inability to provide us with critical information on request. JTB did not have in house, the annual marketing plans and reports for the periods 2012/2013 to 2014/2015 which were required to be submitted by the advertising agencies. These plans and reports were however obtained from the regional office located in Miami, USA on our request. This suggests a lack of review of these critical reports by the JTB to assess performance relative to intended outcomes. We also found that JTB had no record of the dates that plans and reports were presented for approval and review, or when they were actually approved. Senior officials advised that JTB’s approval of plans was generally given verbally.

Table 5 JTB was unable to supply all marketing agencies plans and reports requested for 2012-2015

Marketing Agencies	Year	Plans not presented	Progress Report not presented
I	2014	January - December	-
	2013	April - December	January –September
	2012	January – September	January - December
III	2014	January - December	January – August, November
	2013	January – December	January – December
	2012	-	January – May, July – August, December

Source: AuGD’s

2.4 To determine the contractors’ most recent performance, we reviewed the agencies’ annual marketing plans for December 2014 for comparison with reports JTB submitted to us. We identified five of ten events (50 per cent) relating to the publicizing of Jamaica in the international market that the PR agencies did not address in their monthly reports.

¹ The marketing plan should describes all programmes, campaign, activities, and initiatives that will be conducted within the contract year

Part Two – Assessment of JTB’s Governance Practices

There was no evidence that JTB had followed up with the marketing agencies on the status of unreported events. In addition, there was no documentation to show that JTB evaluated the major marketing agencies to determine the adequacy of their performance. This indicates that there is no systematic monitoring of the marketing agencies’ work.

- 2.5 One of the public relations contracts was terminated prematurely owing to “non performance” but the termination letter did not outline what aspect or condition of the contract was not fulfilled. JTB’s officials when queried on the matter, advised that much of the information, exchange and communication relating to the performance of the agencies were done via email and telephone calls (teleconferencing at times) and were not documented. Thus, information provided by JTB regarding performance was based solely on recollection.
- 2.6 In addition to the three major marketing agencies, JTB utilizes the services of specialized marketing and public relations companies in the following eight key regions, Latin America, Italy, Holland, Japan, Germany, China, Spain and India. These eight marketing representatives were contracted to liaise and establish relationships with industry partners such as tour operators, travel agents and airlines to build Jamaica’s image and sell it as a favourable tourist destination. JTB did not provide evidence that they evaluated the performance of these marketing and public relations companies. However, we obtained monthly and quarterly reports relevant to the years 2013 and 2014 from the representatives of Japan and India. The reports entailed inter alia, information surrounding travel trade relations and media monitoring.
- 2.7 JTB asserted that the regional offices are required to give feedback on how the representatives operating within their regions performed. This information should be documented in monthly and/or quarterly reports. We perused reports covering the years 2013 and 2014 but found no evidence to support JTB’s assertion that the regional offices assessed the performance of the marketing and public relations companies. We were advised that, for better control, JTB subsequent to the audit has shifted the responsibility for monitoring the major marketing agencies (Advertising and PR Agencies) to its Head Office. Also, JTB intends to implement mechanisms to ensure that the regional offices report on the performance of the marketing representatives.

Only 25 per cent of JTB’s marketing representatives have valid contracts

- 2.8 We reviewed the agreements JTB signed with the eight specialized marketing and public relations representatives and noted that while two of the eight companies had valid contracts, the other six were operating with contracts that had expired between July 2006 and December 2012 (2 to 9 years as at April 2015). Please refer to **Table 5**.
- 2.9 We also observed that three of the expired contracts included clauses that made renewal automatic for one year if termination notices were not issued. While rollover clauses were not included in any of the other expired contracts, the companies continued to receive payments (**Table 5**). Evidence of the authority for continued payments on the

Part Two – Assessment of JTB’s Governance Practices

expired contracts was not presented. A senior officer advised verbally that the *rollover* clause was applied to all the marketing contracts hence the payments outside of the contract period. The situation outlined above is an indication that JTB was not adequately monitoring these contracts. Subsequent to the audit, JTB took steps to regularize four of the expired contracts. However, at the date of this report, the procurement process was incomplete.

Table 5 Marketing Representatives being paid despite expired contract

Market Area	Marketing Representatives	Contract expiry date as at April 2015	Roll Over clause in contract	Payments received during the period 2012-2015
Latin America	1	March 31 2018		38,557,484
Italy	2	December 31 2006	Article 6: ... if not cancelled three months prior to termination, the contract will be automatically renewed for another year	33,176,619
Holland	3	April 30 2007		30,865,402
Japan	4	December 31 2012		22,328,256
Germany	5	July 31 2006	Term and Termination: If not cancelled three months prior to termination, the contract will be renewed for another year.	47,637,438
China	6	April 30 2015		7,495,327
Spain	7	June 30 2007		41,190,357
India	8.	June 30 2009	Articles 7 :-“ this contract will be valid for one year, from 1 st July 2006 to 30 th June 2007. If not cancelled three months prior to termination, the contract will be automatically renewed for another year. ...”	8,163,727
Total				229,414,610

Source: AuGD’s compilation of JTB information

JTB’s oversight of sponsored events is Inadequate

2.10 JTB participated in and promoted special events through sponsorship as a part of its strategy to promote the country as the premier Caribbean tourist destination. We examined records relating to the 28 events that JTB sponsored during the 2014-2015 financial year. We noted that as a part of its controls, JTB issued Letters of Commitment

Part Two – Assessment of JTB’s Governance Practices

outlining the terms² for sponsored events. However, we found that JTB did not consistently enforce the clause, which stipulates that JTB withholds 25 per cent of the sponsorship committed, until the event organizer submits a Statement of Account (SOA). JTB acknowledged that they were experiencing difficulty in obtaining these SOAs and informed us that going forward no sponsorship would be considered for events that fail to submit the required SOAs.

2.11 Table 6 represents 10 events that received final payments despite the non-submission of the SOAs.

Table 6 2014 sponsored events fully paid despite non-submission of statements of account

Event	Date of Final Payment	Date statement of account was submitted
Event #1	September 29 2014	Not yet submitted
Event #2	June 17 2014	Not yet submitted
Event #3	July 28 2014	April 23 2015
Event #4	July 25 2014	May 1 2015
Event #5	November 28 2014	May 1 2015
Event #6	May 20 2014	Not yet submitted
Event #7	June 30 2014	Not yet submitted
Event #8	July 25 2014	Not yet submitted
Event #9	January 26 2015	Not yet submitted
Event #10	September 29 2014	Not yet submitted

Source: AuGD based on JTB’s data

JTB’s performance indicators measure the tourism industry’s activity rather than the impact of its marketing programmes on the achievement of its intended outcomes

2.12 A review of JTB’s corporate and operational plans for the periods 2012-2015 and 2014-2017, disclosed that, its strategic objectives were to:

- i. market Jamaica effectively and to ensure that the product is in tandem with recognized consumer needs;
- ii. increase the contribution of tourism to the national economy as measured through employment generation, contribution to Gross Domestic Product (GDP), and linkage with other sectors.

2.13 JTB developed the following five key performance indicators (KPI) to measure the effectiveness of achieving the strategic objectives.

² Appendix 3 outlines requirements against which applications for sponsorship are reviewed

Part Two – Assessment of JTB’s Governance Practices

- i. Increase stop over arrivals;
- ii. Increase cruise ship arrivals;
- iii. Increase gross foreign exchange earnings;
- iv. Increase hotel accommodation; and
- v. Increase employment in the tourist sector

2.14 We noted that JTB’s KPI’s as listed above may have been influenced by industry activities unrelated to the actions of the JTB. The JTB did not have a robust mechanism to assess how specific expenditure on its various activities contributed to its intended outcomes. For example, JTB indicated a desire to increase hotel accommodation by 65 per cent but did not specify the base from which this would be measured.

2.15 Consequently, JTB is not in a position to reliably determine the extent to which it is achieving its intended outcomes. JTB admitted that there is a need to modify its KPIs to better assess its impact on the tourism sector. JTB indicated that going forward they would prepare their corporate plan to reflect key indicators related to their operations as opposed to the tourism sector.

2.16 We compared JTB’s performance targets with its reported outcomes for the calendar years 2011 – 2014 and found that except for the year 2014, JTB had not met its annual targets for stopover and cruise ship arrivals. However, in relation to visitors’ expenditure JTB had marginally surpassed its target in 2013 and 2014 (see **Table 9**).

Table 9 Comparison of JTB performance target with outcome over calendar years 2011-2014

Year	Stopover Visitors		Cruise Ship Passenger		Visitors Expenditure (US\$)		Tourist Accommodation		Employment in Hotel Sector	
	Target	Outcome	target	Outcome	Target	Outcome	Target	Outcome	Target	Outcome
2011	2,059,595	1,951,752	1,110,795	1,125,481	2,138,000	2,008,000	-	28,303	-	34,921
2012	2,010,304	1,986,085	1,410,217	1,320,083	2,113,000	2,070,000	-	28,599	-	35,197
2013	2,045,050	2,008,409	1,304,865	1,265,268	2,106,000	2,113,000	-	26,839	-	33938
2014	2,043,552	2,080,181	1,381,673	1,423,797	2,198,000	2,200,000	-	26,820	-	34,820
Total	6,098,906	6,074,675	4,096,755	4009148	8,555,000	8,391,000	-	110,561	-	138,876

Source: AuGD’s compilation of JTB information

Part Two – Assessment of JTB’s Governance Practices

- 2.17** The Corporate Governance Framework for Public Bodies in Jamaica (revised 2012) stipulates that *each Board must have a Charter, which defines the roles and responsibilities of the Board including its responsibilities for corporate governance and its code of ethics*. The framework requires that *on first appointment, and at any time when circumstances dictate, all directors should, in good faith, disclose to the Board, for recording and disclosure to external auditors, any business or other interests that are likely to create a potential conflict of interest*. However, we noted that JTB’s Board of Directors did not have a charter or a procedure for dealing with conflict of interest.
- 2.18** The framework document recommends that the members of the audit committee should be independent of any material relationship with the entity. We noted that the Director of Tourism (DOT) is a member of the Audit and Finance Committee. This arrangement represents a conflict of interest as one of the roles of the audit and finance committee includes an examination of the stewardship of the DOT as it relates to his governance practices. JTB advised that they would be implementing measures consistent with the Corporate Governance Framework for Public Bodies that would rectify such conflicts.

Part Two – Assessment of JTB’s Governance Practices

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Appendices

Appendix 1: Breakdown of overseas marketing budget and expenditure during period 2012-2015

Jamaica Tourist Board - Overseas Marketing		
2014/2015	Budget	Expenditure
Advertising	1,375,456,209	1,367,696,775
P.R. USA	159,732,000	154,706,841
P.R. Europe/Germany	45,606,240	37,822,854
European Reps	113,340,924	88,313,549
Special Projects	156,599,997	86,913,083
Overseas Promotions	250,630,196	278,530,691
Local Promotions	53,181,433	52,093,650
	2,154,547,000	2,066,077,443

2013/2014	Budget	Expenditure
Advertising	1,222,778,000	1,269,878,000
P.R. USA	140,747,000	170,196,000
P.R. Europe/Germany	33,593,000	40,740,000
European Reps	80,403,000	82,837,000
Special Projects	147,003,296	126,408,000
Overseas Promotions	281,100,705	269,269,544
Local Promotions	60,136,999	59,654,000
	1,965,762,000	2,018,982,544

2012/2013	Budget	Expenditure
Advertising	1,028,299,000	924,127,853
P.R. USA	139,287,000	149,961,918
P.R. Europe/Germany	35,844,000	26,973,788
European Reps	68,794,000	58,264,000
Special Projects	174,152,069	188,362,000
Overseas Promotions	215,317,931	217,452,631
Local Promotions	40,970,000	39,745,000
	1,702,664,000	1,604,887,190
Grand Total	5,822,973,000	5,689,947,177

Source: JTB financial information

Appendix 2: Requirements against which applications for sponsorship are reviewed

- Concise description of the event or programme
- Objective of the event or programme
- Estimated value of the sponsorship requested – breakdown and the way in which funds will be used
- Target group or audience
- Economic impact of sponsored event or activity including:
 - Demographics i.e. who watches and attends
 - Anticipated number of participants or support teams; and
 - Impact on sponsoring public authority
- Media impact or publishing opportunities including:
 - Signage;
 - Tourism postcards
 - Television broadcast audience
- Estimated value of all exposure, including television coverage, radio and press

Source: AuGD's compilation of JTB's data

Appendix 3: Twenty-eight events JTB sponsored during 2014-2015

Names of Events	JTB's Committed Sponsorship		Sponsorship disbursed JA equi	JTB additional Cost	Total Cost
	JA\$	US\$			
Ananse Sound Splash	250,000		250,000	42,350	292,350
Barla Tour to Jamaica	100,000		100,000	-	100,000
Calabash International		30,000	3,240,000	2,184,539	5,424,539
Charles Town International Maroon Conference	500,000		499,950	-	499,950
Dream Weekend	3,000,000		3,000,000	729,948	3,729,948
DRP Writers Retreat	60,000		60,000	-	60,000
Fat Tyre Festival	750,000		750,000	-125,250	624,750
International Reggae Day	500,000		500,000	75,000	575,000
Jamaica Synchronized Swimming	250,000		250,000	-	250,000
Jamaica Bridal Expo	250,000		250,000	242,524	492,524
Jamaica Taekwon-Do Association		50,000	5,642,190	-	5,642,190
JHF World Hockey League	300,000		293,950	-	293,950
Little Ochi Seafood Carnival	250,000		65,000	169,125	234,125
Makka Pro Surf	500,000		356,440	-	356,440
Meritone	500,000		447,921	100,079	548,000
Milk River Seafood & Jerk Festival	150,000		128,150	96,000	224,150
Montego Bay City Run	250,000		198,050	50,000	248,050
Montego Bay Jerk Festival	150,000		150,000		150,000
Ocho Rios Jazz	750,000		280,430	361,564	641,994
Paggee Fisherman's Regatta	250,000		250,000	156,000	406,000
Port Antonio International Marlin Tournament	300,000		202,764	329,000	531,764
Rebel Salute		70,000	8,018,990	-582,500	7,436,490
Reggae Marathon		20,000	901,840	336,972	1,238,812
Reggae Month	2,000,000		2,333,250		2,333,250
Reggae Sumfest		100,000	11,160,877	4,736,171	15,897,048
RuJohn Foundation		5,000	508,000	51,071	559,071
Soul in the Sun		45,000	5,078,642	347,663	5,426,305
St Ann Kite Festival	150,000		150,000	98,500	248,500
Total	11,075,000	320,000	45,066,444	9,398,756	54,465,200

Appendix 4: About the Audit

Purpose and Authority of the Audit

Our audit was planned and conducted in accordance with the Government Auditing Standards, which are applicable to Performance Audit and issued by the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The planning process involved gaining a thorough understanding of the operations of JTB and developing an issue analysis which focuses on the following key areas:

- i. Governance structure;
- ii. Marketing contact monitoring and evaluation;
- iii. Sponsorship selection and evaluation; and
- iv. Performance targets and measurement of outcomes

We conducted this special audit to determine whether JTB was managing its overseas marketing funds in an efficient, economical and effective manner.

Scope and Methodology

We conducted interviews with the Director of Tourism and office personnel. We reviewed strategic plans, marketing plans, contracts, performance measures, and other documentation as appropriate; and judgmentally reviewed items for compliance with applicable policies, procedures, agreements, and other relevant criteria.

Appendix 5: Charts

