

R E P O R T
OF THE
AUDITOR GENERAL
ON THE
FINANCIAL TRANSACTIONS, ACCOUNTING RECORDS
AND FINANCIAL STATEMENTS OF THE
GOVERNMENT OF JAMAICA
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004

INTRODUCTION

The Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. It contains the findings arising from my audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year ended 31st March, 2004. 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.

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;
- (d) essential records are maintained and the rules and procedures framed and applied are sufficient to safeguard the control of Government property;
- (e) the provisions of this or any other enactment relating to the administration of public moneys and Government property have been complied with;
- (f) satisfactory procedures have been established to measure and report on the effectiveness of programmes and services.

Scope of the Audits

3. The audits of most ministries, departments, executive agencies and public bodies for the 2003/2004 financial year consisted of examinations, inquiries and investigations to allow assessment of the adequacy of the systems of internal control over the major areas of revenue and expenditure, and obtaining the information and explanations considered necessary for certifying the accounts and financial statements submitted. Additional audit emphasis was applied to those areas of governmental activity where the internal control was weak, others which had been prone to problems in the past, new programmes and areas of general public interest. Follow-up work was also done to ascertain what action had been taken on previous audit observations and recommendations. Once again a number of programmes and projects were selected for special "value for money" audits. These special audits were aimed at assessing if adequate planning had been done, proper management control systems instituted and whether the programmes and projects had been administered economically and efficiently and were achieving their intended objectives. The overriding intent of the audits is to contribute to improvement in the management of the public sector and to prompt savings for the taxpayers

Contents of this Report

4. This report summarizes the more important observations arising from the various audits conducted for the period under review. More detailed comments on the points mentioned, as well as recommendations as to the corrective measures considered necessary, were communicated to Accounting Officers, Principal Receivers of Revenue and other heads of agencies by way of audit queries, reports and other memoranda. Where appropriate the comments and reactions of those officers to my findings and recommendations are indicated. In

a number of instances mention is also made in the report of the findings of internal auditors. The heads of government agencies were supplied with a draft of the points I intended to make in this report on their portfolios and given an opportunity to comment thereon.

5. In keeping with the statutory responsibilities mentioned at paragraph 2 above, the Auditor General is duty bound to bring to the attention of Parliament important instances in which the requirements of the 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. Mention is, however, also made of those areas in which a generally satisfactory state of affairs was observed and where marked improvements were noted.

Staff Development

6. During the period under review the Department continued to encourage staff development. Ten officers were given time-off, "Day Releases" and study leave to pursue courses of study at tertiary institutions. In 2004 one officer successfully completed the ACCA examinations, and nine received degrees and diplomas from universities. During the year, two officers attended accounting courses at MIND and ninety-nine participated in internal training courses conducted in auditing, report writing and use of computers.

Public Accounts Committee

7. The Public Accounts Committee of the House of Representatives is a standing bi-partisan committee chaired by the opposition spokesman on Finance. Under the standing orders of the House all accounts of government agencies and annual reports of the Auditor General tabled in the House are automatically referred to the Committee. In examining the reports of the Auditor General, the Committee calls upon accounting officers, other heads of agencies and their support staff to explain their stewardship of the public affairs and resources assigned to them. It seeks to identify the causes for weaknesses mentioned in the Auditor General's reports, obtain information on what is being done to rectify the situation, and makes its own recommendations as to the corrective measures which should be pursued. The Committee therefore plays a critical role in helping to ensure that appropriate action is taken on the findings of the Auditor General. The Committee actively pursued its responsibilities during the period under review and my officers and I continued to provide it with appropriate support and advice.

THE ACCOUNTS OF ACCOUNTING OFFICERS

8. Section 16 of the Financial Administration and Audit Act requires the Minister of Finance to designate in writing public officers who shall be Accounting Officers of the departments specified in such designation. Each Accounting Officer is responsible for the financial administration of the department specified and is accountable to the Minister for, *inter alia*, (i) the assessment and collection of moneys lawfully receivable by his department, (ii) ensuring that the purpose for which an appropriation is approved by Parliament is accomplished, (iii) the custody and proper use of all materials, equipment or other public property administered by him. Accounting Officers are required to maintain accounts and records to reflect:

- (i) expenditure incurred from the funds provided by Parliament;
- (ii) miscellaneous revenues, deposits and appropriations-in-aid which they are required to collect; and
- (iii) assets and liabilities of their ministries and departments.

They are also required by the Financial Administration and Audit Act to submit for audit by 31st July each year annual Appropriation Accounts which form the basis of their accountability to the House of Representatives for the voted funds for which they are responsible. Once again the audits disclosed that the financial affairs of many ministries, departments and other agencies were conducted in a generally satisfactory manner with only minor breaches of the Financial Regulations and Instructions observed. During the period under review many agencies also made genuine efforts to correct the weaknesses identified by the audits. There was also some improvement in the submission of Appropriation Accounts. However, up to 13th December, 2004 I had not received 47 Appropriation Accounts for 2003/2004, and 3 for 2002/2003. The paragraphs which follow contain the observations arising from the audits which I considered should be brought to the attention of Parliament.

HEAD 0100 – HIS EXCELLENCY THE GOVERNOR GENERAL AND STAFF

9. The audit of the financial transactions and accounting records for the year under review disclosed a generally satisfactory state of affairs. However, the Appropriation Account for 2003/2004 was not presented for examination up to the date of this report.

HEAD 0200 – HOUSES OF PARLIAMENT

10. The audit disclosed that the financial transactions of the Houses of Parliament for the year under review were conducted in a generally satisfactory manner. However, there was need for improvement in the control exercised over the use of telephones.

HEAD 0300 – OFFICE OF THE PUBLIC DEFENDER

11. The audit of the financial transactions and accounting records of the Office of the Public Defender for the year under review revealed a generally satisfactory state of affairs.

HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL

12. The audit of the financial transactions and accounting records of the captioned entity for the year under review revealed a generally satisfactory state of affairs. The few concerns raised were adequately addressed.

HEAD 0600 – OFFICE OF THE SERVICES COMMISSIONS

13. The financial transactions and accounting records of the Commissions for the year 2003/2004 were found to be generally satisfactory. However, the related Appropriation Account was not presented for examination up to the date of this report.

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

14. The audit disclosed that the financial transactions of the Office of the Prime Minister for 2003/2004 were conducted in a generally satisfactory manner.

BROADCASTING COMMISSION

15. An examination of the financial transactions and accounting records of the Commission for the year under review disclosed a generally satisfactory state of affairs.

HEAD 1510 – JAMAICA INFORMATION SERVICE

16. The audit of the captioned Agency for the period under review revealed a generally satisfactory state of affairs.

**HEADS 1600, 1600A & 1600B –
OFFICE OF THE CABINET**

17. The audit of the financial transactions and accounting records of the Cabinet Office for 2003/2004 disclosed a generally satisfactory state of affairs.

CREATIVE PRODUCTION AND TRAINING CENTRE

18. The audit of the accounting records and financial transactions of the captioned entity for the year under review disclosed a generally satisfactory state of affairs. The few shortcomings identified were subsequently addressed by management.

**HEAD 1649 – MANAGEMENT INSTITUTE FOR
NATIONAL DEVELOPMENT**

19. The audit of the Management Institute for National Development's financial transactions for 2003/2004 disclosed a generally satisfactory state of affairs.

JAMAICA PROMOTIONS CORPORATION (JAMPRO)

20. The audit of Jamaica Promotions Corporation's financial transactions and accounting records for 2003/2004 disclosed the following deficiencies:-

(i) *Unrelated Expenditure*

Advances of \$1,520,000 and \$202,717 were made to the Ministry of Industry and Tourism and the Ministry of Development, respectively, without evidence of the requisite approval of the

Ministry of Finance and Planning. The amounts remained outstanding up to the time of this report.

(ii) *Unremitted Deductions*

Statutory deductions totalling \$3,386,416 were not remitted to the relevant agencies for the month of June 2003.

(iii) *Inadequate Control*

There was need for improvement in the controls exercised over blank cheques and receipt books.

HEADS 1700, 1700A & 1700B –
MINISTRY OF INDUSTRY
AND TOURISM

21. The audit of the captioned Ministry for 2003/2004 disclosed a generally satisfactory state of affairs.

FACTORIES CORPORATION OF JAMAICA

22. An audit of the captioned entity for 2003/2004 revealed the following areas of concern:

(i) *Fuel Charges*

The records revealed that four officers, who were assigned fully maintained motor vehicles or in receipt of full motor vehicle upkeep allowance were also supplied with fuel amounting to \$403,117 for their private motor vehicles. The Corporation advised that this practice has ceased and up to November, 2004 amounts totalling \$53,769 had been recovered from the officers concerned.

(ii) *Rental Receivables*

The records showed serious rental arrears of \$54M. The entity advised that legal action had been taken in some cases and other tenants had been evicted.

(iii) *Debt Servicing*

There was no evidence that two loans for \$142M and \$225M obtained from the National Insurance Fund were being serviced in keeping with the related agreements. At the time of audit the outstanding balances for principal and accrued interest stood at \$275M, and \$261M, respectively.

TOURISM PRODUCT DEVELOPMENT COMPANY LIMITED

23. A review of the financial transactions and accounting records of the captioned company for the financial year 2003/2004 disclosed that it incurred bank charges totalling \$281,837 on overdrafts which did not have the necessary approval of the Ministry of Finance. The company subsequently advised that steps were instituted to prevent any recurrence.

MICRO INVESTMENT DEVELOPMENT AGENCY

24. During an audit of the captioned Agency, the following inadequacies were noted:-

(i) *Unapproved Employee Benefits*

The records revealed that fuel and tyres costing \$239,373 were purchased for the private motor vehicles of three employees. Disbursements totalling \$550,000 were also made to employees reportedly as incentive payments. The necessary approval of the Ministry of Finance and Planning for these arrangements was not presented.

(ii) *Staff Loans*

It was noted that a former employee had an outstanding staff loan balance of \$37,500.

BATH FOUNTAIN HOTEL

25. The audit of the financial transactions and accounting records of the Bath Fountain Hotel for the year under review disclosed the following unsatisfactory features:

(i) *Internal Control Weaknesses*

Weaknesses were identified in relation to the custody and issue of receipt books, and in the adequacy of supporting documents for certain payments made. These shortcomings may compromise the Hotel's ability to adequately safeguard its revenue and prevent improper or duplicate payments being made. The Hotel advised that steps were being taken to improve the situation.

(ii) *Outstanding Financial Statements*

Up to the date of this report, the required annual receipts and payments statements for the period April 1999 to March 2004 were not presented for audit.

MILK RIVER BATH

26. Examination of the financial transactions and accounting records of the captioned entity for 2003/2004 revealed that cash collected was not always lodged intact, but in some instances used for purchases and the encashment of employees' salary cheques. This contravened government's regulations and could undermine cash control.

**HEADS 2000, 2000A & 2000B –
MINISTRY OF FINANCE & PLANNING**

27. A review of the financial transactions and accounting records of the captioned Ministry for the year disclosed a generally satisfactory state of affairs. The following areas of concern were noted however:

(i) *Overpayment of Salaries*

At the date of this report \$758,064 remained outstanding in respect of salary overpayments made to an officer.

(ii) *Outstanding Obligations*

At January 31, 2004 suppliers' bills and invoices amounting to approximately \$221M remained unpaid in excess of the thirty (30) days stipulated by the Financial Regulations. This suggested the need for improved budgetary control and cash management. An internal circular was issued by the Ministry's Principal Finance

Officer seeking to have the problem addressed. The Ministry subsequently advised that tighter budgetary and cash control had reduced outstanding suppliers' bills to tolerable levels.

JAMAICA SOCIAL INVESTMENT FUND (JSIF)

28. The audit of the captioned Fund for 2003/2004 disclosed a generally satisfactory state of affairs however, a physical inspection of the Fund's fixed assets disclosed that a number of items did not have the required identification marks, and location records were not in place. Management subsequently advised that effective measures were being instituted to remedy the weaknesses identified.

PROVIDENT FUND ACCOUNT

29. There was need for improvement in the timeliness and accuracy in the maintenance of the accounting records.

CULTURE, HEALTH, ARTS AND EDUCATION (CHASE) FUND

30. An examination of the financial transactions and accounting records of the captioned Fund for 2003/2004 disclosed a generally satisfactory state of affairs.

HEAD 2011 - ACCOUNTANT GENERAL'S DEPARTMENT

Internal Control Weaknesses

31. Internal control weaknesses were noted in the following areas:

(i) *The Cheque Signing Process*

Readings on the cheque-signing machine meter at the beginning and end of each cheque signing process were not recorded and reconciled with the number of transactions approved for payment as required. This could result in unauthorized cheques being signed without being readily detected.

(ii) *Salary Advances and Motor Vehicle Loans*

An appropriate monitoring system was not in place to ensure that motor vehicles on which loans were granted, remained comprehensively insured during the period of the loans. Loan account cards were not adequately secured against unauthorised access. A clear documented policy was also not presented to indicate the circumstances in which the usually required security for salary advances granted was waived.

Breach of Procurement Guidelines

32. During the period under review goods and services costing \$1.7M were acquired without any indication that competitive price quotations had been sought. Stricter compliance with the Government's procurement policy was recommended in order to ensure that the best value for money is obtained.

Arrears of Bank Reconciliation

33. Eight bank accounts had not been reconciled since they were opened, some from as far back as May 2001. The reconciliation of three other accounts was also in serious arrears. This state of affairs was in breach of the Financial Regulations and could result in the concealment of errors and irregularities.

Outstanding Financial Statements

34. The under-mentioned financial statements required to be submitted in accordance with Section 24H of the Financial Administration and Audit Act, remained outstanding at the date of this report:

	STATEMENT	PERIOD OUTSTANDING
A	CURRENT ASSETS & LIABILITIES OF THE CONSOLIDATED FUND	2002/2003 to 2003/2004
B	REVENUE ACTUALLY PAID INTO THE CONSOLIDATED FUND PRINCIPAL BANK ACCOUNT AS COMPARED WITH THE ESTIMATE	2003/2004

	STATEMENT	PERIOD OUTSTANDING
C	ACTUAL EXPENDITURE FROM THE CONSOLIDATED FUND PRINCIPAL BANK ACCOUNT AS COMPARED WITH THE ESTIMATES	2003/2004
D	THE PUBLIC DEBT OF JAMAICA	2002/2003 to 2003/2004
E	ADVANCES AND LOANS FROM THE CONSOLIDATED FUND ETC.	2003/2004
G	BALANCES HELD BY THE ACCOUNTANT GENERAL ON DEPOSIT AT THE END OF THE FINANCIAL YEAR AND THE OUTSTANDING ADVANCES MADE THEREFROM	2002/2003 to 2003/2004
I	OUTSTANDING LOANS OR CREDITS GUARANTEED BY THE GOVERNMENT	2001/2002 to 2003/2004

35. Although the Department was advised of the need to have thorough checks conducted on financial statements before they are submitted for audit, the under-mentioned statements could not be certified as they contained numerous errors and had to be returned for corrections:

Statements C - 2001/2002
D - 1999/2000 to 2001/2002
E - 1997/1998 to 2002/2003

Outstanding Annual Returns

36. Up to the time of this report, annual income tax returns had not been filed for 2003 in respect of employees' emoluments and for 2002 and 2003 for Pensions. The Department was reminded of its statutory obligation to file annual returns in a timely manner. It advised that the delay was due to computer software problems which were being addressed.

Unauthorised Advances

37. Contrary to Section 9 (8) of the Financial Administration and Audit Act resources released under the authority of certain Votes of Parliament were transferred for use under other Heads of Estimates. Up to the date of this report, such transfers amounting to approximately \$2.4B had not been reversed. The effect of this is that expenditure had not been incurred in compliance with the

wishes of Parliament. The Department was advised to desist from this practice and to ensure strict future compliance with the Act.

Treasury Deposit Advances

38. Section 14A of the Financial Administration and Audit Act requires that advances made from treasury deposit funds should be recovered within a period not exceeding twelve months after the financial year in which the advances were made. It was noted however that at March 31, 2004 there were advances of approximately \$1B which remained outstanding beyond the statutory period, some from as far back as 1997/1998.

Delays in Pension Payments

39. At the time of audit there were serious delays of up to eleven (11) months in the payment of approved gratuity and pension to retired public officers. At 31st August 2004, 482 pensioners or their beneficiaries were owed approximately \$253.8M. Of this amount \$36,172,788 was owed to 112 pensioners who had not received any advance on their pension. By virtue of the Jamaica Constitution, pension payment is a statutory expenditure and as such should be a priority charge on the Consolidated Fund. The delay in making these payments is in breach of the Department's Citizens' Charter which proposes that such payments should be made within six weeks, and also appears to violate the intent of the Constitution. It also poses serious financial hardship for some retirees. The Department advised that it is working on having the arrears cleared.

Verification of Loan Proceeds

40. The audit was unable to verify receipt into the Consolidated Fund of approximately J\$15.82B and US\$176.9M representing proceeds from financial instruments issued by the Government and which formed part of the public debt. This recurring difficulty in tracking loan proceeds results from the absence of an effective control system in the Accountant General's Department to ensure that the necessary accounts and documents are available, and that the requirements of the Constitution and the Financial Administration and Audit Act are strictly complied with. The Department was asked to provide the information required to conclude the audit of these loans. It advised that the relevant information had been sought from the Ministry of Finance and Planning and the Bank of Jamaica.

Belgium –BEF260M Loan Facility

41. I was unable to determine whether payments totalling BEF 260M or J\$253.9M made by the National Bank of Belgium in 1998 and 1999 on behalf of the Government of Jamaica constituted proper public expenditure as appropriate supporting documentary evidence was not presented. This amount represented the proceeds of a loan from the Kingdom of Belgium, which was lodged to a non-

interest bearing account at the National Bank of Belgium on 2nd January, 1998. BEF\$93,497,602 or J\$93,379,240.00 of the amount lodged, remained in the account for over 15 months while the Government of Jamaica will be required to pay interest at 2% p.a. on the loan. There was no indication that the use to which the loan proceeds were put, was included in Government's expenditure, and the necessary cash transfer made to the Consolidated Fund, as required by present accounting stipulations. The Department was asked to supply the necessary information and to initiate action to have the matter regularized. It subsequently advised that the matter was being pursued with the Ministry of Finance and Planning.

Credit Balances and Overpayments on Loans

42. It was noted that loan accounts with credit balances totalling \$84.7M were removed from the Public Debt statement but there was no indication that these balances were investigated to determine whether they were due to overpayments. The audit disclosed overpayments of US\$4,972 and J\$6.96M made on two external loans. These resulted from non-compliance with the signed loan agreements and incorrect directive given by the Department. It was recommended that steps be taken to investigate all credit balances on loan accounts and recover the amounts overpaid.

Contingent Payments on Guaranteed Loans

43. Six loans totalling US\$6.0M and J\$3.68B, being carried by a private company and four public sector entities, were taken over by the Government based on letters of commitment given by the Ministry of Finance and Planning. There was however no indication that these guarantees were approved by the House of Representatives as required by the Approved Organizations and Authorities Loans (Government Guarantee) Act, and the Financial Administration and Audit Act. I was also unable to ascertain the terms and conditions under which the Government assumed the responsibility for these loans. Up to August 31, 2004 approximately \$2.82B was paid by the Department in servicing the loans. It was recommended that this matter be regularized and there should be strict future compliance with the Acts.

HEAD 2012 – JAMAICA CUSTOMS

Outstanding Appropriation Account

44. Up to the date of this report the Appropriation Account for the year 2003/2004 was not presented for audit.

Outstanding Salary Advances

45. At the time of audit salary payments amounting to approximately \$16.9M made to officers for work done at two private warehouses over the period September 2001 to December 2003 remained outstanding. The Department was advised to take the steps necessary to recover this amount from the warehouses at an early date.

Bank Reconciliation

46. The reconciliation statements for two bank accounts disclosed numerous discrepancies including erroneous debits and credits amounting to approximately \$30.7M on one account, as well as outstanding lodgements and erroneous debits of \$16.1M on the other. Many of these discrepancies had been outstanding for prolonged periods. The Department was advised to have these resolved as early as possible to safeguard against possible losses.

Overpayment of Salaries

47. Three officers, who had resigned during the period under review, were overpaid salaries amounting to \$37,946 due to inadequate internal check.

Unauthorised Employment

48. Salary payments totalling approximately \$6.7M were made to twenty-seven fortnightly and temporary monthly paid employees for which no letters of employment were seen. The posts to which these persons were assigned were also not seen on the approved 'Civil Service Establishment'. The Department was asked to indicate the authority for their engagement.

Value Book

49. Relevant receipts to support amounts received by the Department and purportedly lodged totalling approximately J\$145M and US\$750 were not indicated in the Value Book or otherwise presented for inspection. I was therefore unable to ascertain whether the amounts were properly accounted for. The Department was asked to provide the necessary information. This was awaited up to the date of this report.

Outstanding Advances

50. Advances amounting to approximately twenty million dollars (\$20M) remained outstanding at the date of this report; some of these which were reported on previously, had been outstanding for up to fourteen years. The Department was reminded to have this situation rectified.

Motor Vehicle Advance Cards (Fuel)

51. The purchase of fuel over a five-month period amounting to \$111,480 could not be verified, as the relevant receipts were not presented for audit. It was also noted that expenditure of \$45,420 was incurred for fuel charged to one of the Department's vehicles during a period when it was reported to have been out of use and at a garage. The Department was asked to provide the necessary information and explanation.

Import Entries

52. The audit disclosed that a number of the manifests which accompanied goods imported into the island were not being closed in a timely manner. As a result, items imported could be removed from the ports or warehouses without the relevant duties being paid, resulting in loss of revenue. It was recommended that steps be taken to have the manifests reconciled and closed in a much more timely manner.

HEAD 2015 – INLAND REVENUE DEPARTMENT

Outstanding Appropriation Account

53. The Appropriation Account for the financial year 2003/2004 was not presented for examination up to the date of this report.

Income Tax Arrears

54. Of a sample of one hundred and fifty (150) taxpayers who were assessed income tax amounting to \$116.3M during 2003, the records indicated that only \$1.67 or 1.4% of the tax due was collected. There was no indication that any collection effort had been taken in respect of 122 of these taxpayers who owed \$108.4M. Information obtained from the Department disclosed that at March 31, 2004, total income tax arrears stood at approximately \$8B. This was 14.74% of actual collections for the year and reflected an improvement over the previous year's position when the arrears stood at \$8.64B or 21.26% of that year's collections.

Registration of GCT Taxpayers

55. The names of two hundred (200) businesses were selected in order to ascertain whether these were enrolled on the register of Taxpayers. Eighty-three (83) of these names were not found in the register and as a result the audit was not able to determine their tax status. It was advised that efforts be made to have these businesses assessed for enrolment.

GCT Assessments

56. A sample of one hundred and forty-nine (149) taxpayers who were assessed GCT amounting to \$239.3M during the year 2003 was selected for audit to ascertain whether their accounts were posted to the 'Tax Administration System' to reflect tax owing, and to determine how much had been collected. The audit revealed that fifty-four (54) of the accounts for assessment of \$55M were not posted to the system. There was also no evidence of any action taken to collect amounts totalling \$204M which represented 85% of the total sample. It was recommended that steps be taken to have all the taxpayers' accounts posted and the outstanding amounts collected.

Intransit Lodgements

57. The intransit lodgements register was one year in arrears and prevented assessment as to whether lodgements made by collectorates were being credited to the Department's bank account on a timely basis. This could retard the identification of errors or irregularities and result in losses to Government. Management was advised to have the maintenance of the register and the tracking of outstanding lodgements brought up to date.

Excessive Mileage Claims

58. Payments amounting to \$112,326 were made for what appeared to be excessive mileage claims made by 30 officers. It was recommended that the amounts overpaid be recovered and more effective internal checks implemented to prevent any recurrence.

Unauthorised Bank Overdraft

59. For the period under review the Imprest Bank Account at one of the rural Collectorates was unauthorisedly overdrawn, resulting in interest and service charges amounting to \$28,409 being incurred. It was recommended that more effective controls should be instituted to prevent any recurrence and that the responsible officer should be reported to the Financial Secretary for possible surcharge.

HEAD 2041 – TAXPAYER AUDIT AND ASSESSMENT **DEPARTMENT**

Non-Presentation of Records

60. The files of one hundred (100) taxpayers were requested to ascertain whether returns were being filed in accordance with Section 67 of the Income Tax Act. However, up to the date of this report only twenty-nine (29) of the files

were received. It was recommended that more effective efforts be made to upgrade the filing system so that files may be presented promptly when requested.

Income Tax Refunds

61. A sample of one hundred (100) files were requested to ascertain whether refunds made were properly computed. Ninety-five (95) files were received and examined. Over refunds amounting to \$593,862 were identified as a result of inadequate internal check. It was recommended that more effective verification be instituted to prevent overpayments and the amounts over refunded be recovered.

Shortpayment of GCT

62. Examination of a sample of 200 GCT returns revealed that the tax due was understated by two taxpayers and consequently short paid by \$322,773. The Department was advised to take steps to recover the tax short paid.

Stamp Duty and Transfer Tax

63. The files of eighty three (83) estates were requested to determine whether the transfer tax and stamp duty payable on the related properties were correctly calculated and collected. Seventy (70) of the files were received. These revealed a short assessment of tax payable on three (3) estates amounting to \$784,062. The required approval was also not seen for the exemption of interest of \$273,142 payable by certain estates. The Department was advised to:

- (i) Locate and present the remaining thirteen files for audit;
- (ii) Recover the under-paid tax; and
- (iii) Obtain the requisite approval prior to the granting of exemption of interest in accordance with the Section 29 3(b) of the Transfer Tax Act.

Outstanding Stamp Duty

64. The records disclosed that at December 31, 2003 an airline owed stamp duty and interest amounting to \$1.429B. The Ministry of Finance and Planning advised that steps were being taken to have the matter resolved.

**HEADS 2600, 2600A, 2600B –
MINISTRY OF NATIONAL SECURITY**

Accounting Arrears

65. Up to the date of this report the Appropriation Accounts for 2001/2002 to 2003/2004 were not submitted for examination.

Overpayment

66. An overpayment of \$848,000 to a company which was mentioned in my 2002/2003 annual report remained unresolved at the date of this report as a balance of \$448,000 was still outstanding. The Ministry advised that the matter was being pursued by the police.

COMMUNITY SERVICE ENHANCEMENT PROJECT

67. The Community Service Enhancement Project is funded by a grant from the Government of the United Kingdom and the Government of Jamaica. The objectives of the Project is to pilot an effective, affordable and sustainable system of community service in Jamaica as an alternative to incarceration when sentencing people for lesser offences, thereby contributing to penal reforms. The audit of the Project for the period under review disclosed a generally satisfactory state of affairs except that the financial statements for the period April 2003 to December 2003 were not presented for examination up to the date of this report.

JAMAICA DEFENCE FORCE

68. The audit of the Jamaica Defence Force (JDF) for the year under review disclosed the following shortcomings.

(i) Overpayment

A supplier was overpaid US\$1,602.98.

(ii) Weak Stock Control

The storage facilities and stock control were considered inadequate, and resulted in stock shortages and excesses being noted during a physical count. Recommendations were made for improvements as the weaknesses detected could result in losses to

Government. I was subsequently advised that significant improvements have been made.

(iii) *Breach of Procurement Procedures*

The procurement of goods and services costing approximately \$21.2M was done without evidence that the required competitive price quotations were obtained. A similar observation was mentioned in my 2002/2003 annual report. I was subsequently advised that corrective steps have been taken.

(iv) *Missing Items*

A computer and accessories costing US\$1,494 that were among items purchased from an overseas supplier were discovered missing when the JDF personnel went to clear them. Up to the date of this report, the entity had been unable to effect recovery. I was advised that the matter was being pursued by the Attorney General's Department.

(v) *Outstanding Commitments*

The total unpaid obligations for the JDF stood at approximately \$342M as at March 31, 2004. The Ministry advised that this was due mainly to inadequate funding from the Ministry of Finance.

HEAD 2622 – POLICE DEPARTMENT

69. The audit of the captioned Department revealed the under-mentioned shortcomings:

(i) *Accounting Arrears*

Up to the date of this report the Appropriation Account for 2003/2004 was not submitted for examination, and reconciliation of the police salary bank account was almost two years in arrears.

(ii) *Unsupported Payments*

Supporting vouchers and/or other relevant documents for payments totalling approximately \$4.73M were not presented for audit. I was therefore unable to verify their authenticity.

(iii) *Procurement Breaches*

The procurement of goods and services costing approximately \$3.4M was done without evidence that the required competitive price quotations were obtained or that the Procurement Committee was involved in the selection of suppliers. The Department was advised to comply with the Government's procurement guidelines to safeguard against uneconomical expenditures. The Department has promised early corrective action.

(iv) *Overpayments*

During the period under review the Ministry's Internal Auditors reported overpayments of salaries and allowances totalling approximately \$3.48M to officers of the Jamaica Constabulary Force.

(v) *Outstanding Commitments*

The Department's records revealed that at January 31, 2004 unpaid obligations for periods exceeding thirty days amounted to approximately \$104M. This contravened the Financial Regulations. The Department advised that inadequate provision of cash by the Ministry of Finance was the main reason for this state of affairs.

HEAD 2624 – DEPARTMENT OF CORRECTIONAL SERVICES

70. The audit of the financial transactions of the captioned Department for the year under review revealed the following shortcomings:

(i) *Outstanding Commitments*

The records disclosed that at March 31, 2004 there were unpaid obligations for periods exceeding thirty days amounting to \$75.4M. The Department explained that the main contributory factor was the inadequate provision of cash by the Ministry of Finance. However, inadequate budgetary control was also a problem.

(ii) *Unsupported Payment*

The required supporting documents were not presented for payments totalling \$621,620. I was therefore unable to verify their authenticity. It was recommended that the relevant bills be produced for inspection.

iii) *Correctional Services Production Limited (COSPROD)*

The annual financial statements of the captioned company for the years 1998/1999 to 2003/2004 were outstanding up to the date of this report.

ELECTORAL OFFICE

71. The audit of the Electoral Office of Jamaica for the year under review disclosed the following shortcomings:

(i) *Outstanding Financial Statements*

Up to the date of this report the annual financial statements for the years 1987 to 2004 remained outstanding. This situation prevented a proper assessment of the Office's financial operations and state of affairs.

(ii) *Arrears of Bank Reconciliation*

The reconciliation of two bank accounts was in serious arrears. Failure to properly reconcile bank accounts in a timely manner impedes the detection and correction of possible errors or irregularities.

(iii) *Nugatory Expenditure*

Payments totalling \$617,750 were made to two private companies and the National Land Agency to value a privately owned property with the intent of purchasing it. The premises was subsequently sold to another buyer. It was not clear why so many valuations at public expenses were necessary for this aborted transaction.

(iv) *Unsupported Payments*

Appropriate supporting documents were not presented for eighteen payments totalling \$506,865. The authenticity of these transactions could therefore not be verified.

(v) *Inadequate Procurement Procedure*

Amounts totalling \$24M were paid to a supplier to manufacture 40,000 custom built polo shirts for two elections. The records disclosed the undermentioned inadequacies:-

- (a) There was no evidence that the Government's procurement guideline to select the supplier by competitive price quotations was adhered to. I was therefore unable to determine if the Department received the best possible deal.
- (b) Mobilization advances paid to the supplier were 50% of the contract sum although Cabinet's policy stipulates a limit of 10%.
- (c) Information seen suggested that the goods were short delivered by the supplier resulting in an overpayment of \$436,693.

POLICE PUBLIC COMPLAINTS AUTHORITY

72. The audit of the financial transactions and accounting records of the captioned entity for the year under review disclosed a generally satisfactory state of affairs. The few concerns raised were adequately addressed.

PRIVATE SECURITY REGULATION AUTHORITY

73. Examination of the accounting records and financial transactions of the Private Security Regulation Authority for the year under review disclosed a generally satisfactory state of affairs.

HEAD 2800 – MINISTRY OF JUSTICE

Accounting Arrears

74. Up to the date of this report the Appropriation Accounts for 2002/2003 and 2003/2004 were not submitted for audit.

Incorrect Contracts Procedures

75. The prescribed procurement procedures were not adhered to for two contracts with sums totalling \$4.3M. The contractors were not on the Government's approved list of contractors and one of the contractors was not selected by a competitive process. The Ministry was advised to ensure future compliance so that the process may be equitable and the best prices obtained.

Outstanding Commitments

76. At January 31, 2004 unpaid commitments for periods exceeding thirty days stood at approximately \$330M for the Ministry and the Attorney General's Department in contravention of Section 36(1) of the Financial Regulations. I was advised that this was due mainly to inadequate funding from the Ministry of Finance and the difficulty in estimating what judgement debts would be awarded by the courts and settlement agreements arrived at by the Attorney General's Department on behalf of Government.

HEAD 2830 – ADMINISTRATOR GENERAL'S DEPARTMENT

77. The audit of the Administrator General's Department for the year under review disclosed a generally satisfactory state of affairs. .

HEAD 2832 – TRUSTEE IN BANKRUPTCY

78. The accounting records and financial transactions of the captioned Department which were examined for the year under review disclosed a generally satisfactory state of affairs.

HEAD 3000 – MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE

Accounting Arrears

79. The Appropriation Account for 2003/2004 was not presented for audit up to the date of this report and the submission of monthly financial statements by four of the thirteen overseas missions was in serious arrears.

HEADS 4000 AND 4000A –
MINISTRY OF LABOUR AND SOCIAL SECURITY

Outstanding Appropriation Accounts

80. At the time of this report the Appropriation Accounts for 2003/2004 were still outstanding.

Purchase of Computers

81. It was noted that six (6) computers, and two printers, purchased at a cost of \$558,600 were not marked or taken on inventory. It was recommended that these weaknesses should be corrected to improve the control over these assets.

Salary Overpayment

82. An overpayment of salary of \$36,588 to an officer was noted. Of this amount \$26,843 was recovered up to the date of this report.

Rental of Properties – National Insurance Fund

83. The records disclosed that arrears of rental and maintenance fees totalling \$93M were outstanding as at March 2004 in respect of the Fund's properties. Included in this amount was \$8,353,058 owed by former tenants. It was recommended that all appropriate measures be taken to collect these outstanding amounts. The Ministry subsequently advised that \$12.5M had been collected from former tenants and legal proceedings had been instituted against some of the debtors.

PROGRAMME OF ADVANCEMENT THROUGH
HEALTH AND EDUCATION (PATH)

84. The Programme of Advancement Through Health and Education (PATH) which is jointly funded by the Government of Jamaica and the International Bank of Reconstruction and Development aims to provide a more efficient system of social assistance for the poor and vulnerable. The audit of the Programme for the period under review disclosed a generally satisfactory state of affairs except for the areas mentioned below:

(i) ***Outstanding Advances***

The accounting records reflected uncleared advances totalling approximately \$1.49M as at March 31, 2004. It was recommended that the appropriate documents indicating the use to which the

related funds were put should be obtained and used to clear the advances without further delay. Failure to do so could result in difficulty in having these amounts properly accounted for and cause the understatement of the Programme's expenditure.

(ii) *Bank Reconciliation*

Reconciliation of the beneficiaries' bank accounts was over a year in arrears. This could conceal errors and irregularities for a protracted period. A consultancy firm was subsequently engaged to bring the reconciliation up to date.

(iii) *Overtime Expenses*

The accounts revealed that expenditure for taxi and supper allowances totalling approximately \$2.4M in respect of overtime work done by staff, was incurred for the period under review. There was however concern over the control exercised over overtime work as there was no evidence of a work plan outlining the nature of work to be performed; the circumstances surrounding the need for the additional hours of work; and the staff complement to be involved. It was recommended that more effective supervisory checks be instituted to reduce the need for overtime work. The Ministry subsequently advised that steps were being taken to address this matter.

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

Teachers' Salaries

85. The audit of teachers' salaries disclosed that eight (8) teachers were overpaid \$578,106 and nine (9) teachers were short paid \$497,747. It was recommended that the overpayments and short payments be investigated and the necessary adjustments effected. The Ministry subsequently advised that \$152,400 of the overpayments had been recovered and \$426,442 of the shortpayments made good.

Inadequate Property Management

86. There was no central register or master inventory of the properties owned by or assigned to the Ministry. No written policy governing the rental/leasing of the Ministry's properties was seen. I was therefore unable to determine who should be allowed occupancy of such properties and on what conditions. These weaknesses could result in inadequate management control over such assets

causing improper or unauthorised use as well as vandalism. It was recommended that the Ministry institute a proper system of management control over its properties.

Miscellaneous Revenue

87. There was no evidence that effective arrangements were in place to ensure that the Inland Revenue Department paid over to the Ministry on a timely basis Jamaica School Certificate Examination fees collected. The records showed that for the period under review only \$191,868 of the projected \$2M had been received.

Losses and Irregularities

88. During the period under review the Ministry reported seven (7) cases of suspected irregularities totalling \$4,172,630.

MICO COLLEGE

89. ***Internal Control Weaknesses***

The following areas of internal control weaknesses were noted:

(i) ***Blank Cheques***

Blank cheques were not used in the correct sequence and unused cheques were accessible to persons other than the custodian.

(ii) ***Receipt Books Register***

The register was not maintained on the perpetual inventory basis. The dates on which receipt books were issued were not recorded in the register and the officer who functioned as cashier was also custodian for the stock of receipt books. In addition, receipt books issued were not signed for. These weaknesses could undermine the control over the custody and use of these books.

(iii) ***Fixed Assets***

The required fixed assets inventory records were not maintained. Items of furniture and equipment were also not properly marked.

(iv) ***Motor Vehicles***

The required motor vehicle inventory and log books were not maintained and there was no evidence that the stipulated periodic

evaluation of the operational efficiency of each motor vehicle was conducted.

(v) *Stores Control*

Stock records in the storeroom were not maintained on the perpetual inventory basis; and there was no evidence of regular comparison by an independent officer of physical stock balances with the stock records balances.

(vi) *Salary Advances*

There was no documented approved policy for granting salary advances. As a result there appeared to be no limit on the number of advances that an individual could receive in a specific period. There was no requirement to clear an advance before receiving subsequent ones and no specific time within which an advance had to be repaid.

(vii) *Emoluments*

Some personal files were lacking in information on the salary, post and qualification of the related officers. There were twenty four (24) more persons on the pay roll than appeared on the approved staff complement.

(viii) *Cash Receipts*

An appropriate register was not maintained to record and account for money received through the mail. There was no evidence that mails containing valuables were opened by at least two (2) employees in the presence of each other. There was also no indication that two lodgements totalling \$108,814 had been credited to the relevant bank account.

Outstanding Annual Returns and Statutory Deductions

90. Up to the time of my audit, annual statutory returns for 2003 were not submitted, and \$1,621,172 of the December 2003 statutory deductions made from employees' emoluments had not been remitted.

Unauthorised Overdrafts

91. Interest charges totalling \$81,974 were incurred on unauthorised overdrafts on three bank accounts.

Outstanding Financial Statements

92. Audited financial statements were five years in arrears and prevented a proper assessment of the College's state of affairs.

Payment of Honorarium

93. The required statutory deductions of \$511,270 were not made from payments of honoraria totalling \$1,763,000 made to 23 employees.

KNOX COMMUNITY COLLEGE

Internal Control Weaknesses

94. Weaknesses were observed in the control over the following areas:

(i) *Cash Receipts*

Several receipts were amended in breach of the financial instructions. There was no evidence that the cash books were subjected to independent check. Cash receipts for some accounts were not lodged intact.

(ii) *Receipt Books*

The receipt books register was not maintained on the perpetual inventory basis. Officers other than the custodian of the receipt books had access to and also issued receipt books. Several receipt books were not recorded in the register. In a number of instances the issue of receipt books was not recorded in the register or made in sequential order.

(iii) *Investments*

The investment records were not properly maintained to include references to the deposit account number, rate of interest, period of investment, details of roll-over or reinvestment of matured investments, and details of interest earned.

(iv) *Wages and Salaries*

A number of inadequacies were noted in the control over the preparation and payment of salaries.

(v) *Motor Vehicles*

A motor vehicle inventory was not maintained and there was no evidence of periodic evaluation of the operating efficiency of each vehicle.

(vi) *Control of Blank Cheques*

The blank cheques register was not properly maintained and these cheques were accessible to persons other than the custodian.

(vii) *Fixed Assets*

The required inventory control records were not maintained and the assets did not carry proper identification marks.

Christmas Gifts

95. Payments totalling \$157,750 were made to 32 persons in December 2003 as Christmas gifts. The necessary Ministry of Finance approval for this was not seen.

Student Management System

96. There was no indication that a competitive process was used in the award of a contract for US\$50,016 to computerise the student management system.

Unauthorised Overdrafts

97. Interest charges amounting to \$69,163 were incurred on unauthorised bank overdrafts.

SHORTWOOD TEACHERS COLLEGE

98. The audit of the captioned College for 2003/2004 disclosed the following weaknesses.

(i) *Cash Receipts*

A proper control system did not exist for money received through the mail.

(ii) *Loans and Advances*

No documented policy was seen for the granting of loans and advances to employees. Proper accounting records were also not kept for advances made.

(iii) *Inadequate Records*

There was need for improvement in the maintenance of the control records for investments, blank cheques, receipt books and motor vehicles. Corrective measures were recommended.

(iv) *Lease of College Property*

A written agreement was not seen for the land leased by the College to a private company. The College was advised to have the matter regularized as quickly as possible.

(v) *Overpayments*

The audit of salaries disclosed overpayments totalling \$133,495 to three (3) employees and underpayments totalling \$325,168 to five (5) employees. It was recommended that these errors be investigated and adjusted, and a more effective system of internal check effected.

NUTRITION PRODUCTS LIMITED (NPL)

99. The audit of NPL for 2003/2004 disclosed the following matters of concern:

(i) *Motor Vehicles*

No motor vehicle log books were seen and there was no evidence that the required periodic evaluation of the operating efficiency of each vehicle was conducted.

(ii) *Inadequate Record*

The receipt books register was not properly kept.

(iii) *Delayed Lodgements*

There were several instances of delays in the lodgement of monies collected ranging from 4 to 23 working days, in breach of the financial instructions.

(iv) *Employment Contracts – Drivers*

Current written agreements were not seen for drivers who were employed on contract. The previous contracts expired on April 1, 2001.

(v) *Loans and Advances*

Interest was not charged on loans as stipulated by the Ministry of Finance and inadequate security was accepted for some of the loans granted.

(vi) *Advance Debit Cards*

A proper control register was not maintained for the receipt and issue of Advance Debit Cards by which motor vehicle fuel was obtained.

(vii) *Outstanding Financial Statements*

Audited financial statements were two years in arrears. It was recommended that effort should be made to have these brought up-to-date.

(viii) *Contract Work*

The required written agreement was not seen for work done by a private contractor for \$546,000. Contractors Levy of \$10,920 was also not deducted from the payments made.

(ix) *Staff Loans*

The required Ministry of Finance and Planning approval was not seen for a 50% rebate on staff loans for studies completed successfully.

APPRENTICESHIP BOARD

100. The audit of the financial transactions and accounting records of the captioned entity for the financial year 2003/2004 disclosed a generally satisfactory state of affairs.

COUNCIL OF COMMUNITY COLLEGES OF JAMAICA

101. The audit of the accounting records and financial transactions of the captioned Council for the year under review revealed a generally satisfactory state of affairs.

JAMAICA CULTURAL DEVELOPMENT COMMISSION

102. An audit of the accounting records and financial transactions of the Commission for the year under review disclosed the following shortcomings:

(i) *Salaries and Wages*

Four (4) former employees were overpaid salaries totalling \$69,333. Of this amount \$17,391 had been recovered up to the date of this report. Education Tax and Income Tax salary deductions from employees' salaries totalling \$5.74M had not been remitted to the Inland Revenue Department as required by law. The Commission indicated that plans were afoot to settle this balance.

(ii) *Bank Overdraft*

The necessary Ministry of Finance and Planning approval was not obtained for a bank overdraft operated by the Commission, which incurred interest and penalty charges of approximately \$62,000 between May 2003 and January 2004. The Commission has since indicated that the facility had been terminated.

(iii) *Outstanding Financial Statements*

The audited financial statements for the period 1999/2000 to 2002/2003 were not available up to the time of this report.

JAMAICA NATIONAL HERITAGE TRUST

103. The audit of the financial transactions and accounting records of the Jamaica National Heritage Trust for 2003/2004 disclosed the following areas of concern:

(i) *Unsubstantiated Payments*

The required original invoices were not presented for eight (8) payments totalling \$76,115. Therefore, the authenticity of the payments could not be verified.

(ii) *Contract Overrun*

An amount of \$1,992,382 representing variation to a restoration contract for \$11.3M, was not approved in writing by the quantity surveyor, the contractor and the Trust before payment was effected. Additionally, preliminary estimates indicated that an additional \$6,537,166 would be required to complete the contract works which would bring the total cost to approximately \$19.8M. The services of the Project Manager were terminated for unsatisfactory performance.

JAMAICA LIBRARY SERVICE

104. The audit of the financial transactions and accounting records of the Jamaica Library Service for 2003/2004 disclosed a generally satisfactory state of affairs. However, improvement was needed in the maintenance of the fixed assets register.

THE NATIONAL GALLERY

105. The audit of the National Gallery of Jamaica for 2003/2004 disclosed that most of the art works were not yet included in the relevant fixed assets register. Management indicated that the valuation and recording of the remaining art works should be completed by 2005.

INSTITUTE OF JAMAICA

106. An audit of the accounts and financial transactions of the Institute for the year under review revealed a generally satisfactory state of affairs. The few weaknesses identified were being addressed.

THE NATIONAL LIBRARY OF JAMAICA

107. The audit of the financial transactions and accounting records of the National Library revealed a generally satisfactory state of affairs. However, four (4) officers were overpaid salaries amounting to \$46,481 due mainly to failure to obtain P45 forms for new employees and inadequate internal check. I was subsequently advised that \$7,018 of the overpayments had been recovered.

NATIONAL YOUTH SERVICE

108. The audit of the financial transactions and accounting records of the National Youth Service revealed a generally satisfactory state of affairs. However, five officers were overpaid emoluments totalling \$85,227 as a result of failure to adhere to Ministry of Finance's guidelines.

HEADS 4200, 4200A AND 4200B – MINISTRY OF HEALTH

Outstanding Appropriation Accounts

109. Up to the date of this report, the Appropriation Accounts for 2003/2004 had not been received for audit.

Outstanding Advances

110. The accounting records reflected net un-cleared advances totalling approximately \$162M for the financial years 1999/2000 to 2003/2004. Failure to clear advances promptly could (a) prevent public funds being properly accounted for and (b) result in the understatement of Government expenditure.

Outstanding Obligations

111. At the time of my audit, the information seen indicated that the Ministry and the Regional Health Authorities had unpaid obligations of \$3.4B. This indicated a very substantial shortfall between the resources made available to the Ministry and the cost of its operations at present levels. The Ministry subsequently advised that budgeted provision had been approved in 2004/2005 to clear \$1.875B of these arrears.

Inadequate Control

112. The audit disclosed that the control of stores, furniture and equipment at the Kingston School of Nursing was inadequate as the stipulated inventory records were not being kept.

PESTICIDE CONTROL AUTHORITY

113. The audit of the captioned Authority for the year under review indicated a generally satisfactory state of affairs.

THE NATIONAL LABORATORY SERVICES

114. The audit of the National Laboratory Services disclosed that at September 29, 2004 there were accounts receivable and accounts payable of \$5.7M and \$8.5M, respectively, which were outstanding for more than 90 days. It was recommended that more effective measures be taken to have these amounts settled in a timely manner.

HEALTH CORPORATION LIMITED

Outstanding Receivables and Payables

115. The records disclosed that as at March 31, 2004, accounts receivables of \$320.2M were outstanding for more than 90 days and accounts payable of \$234M remained outstanding for more than 60 days. Failure to collect the outstanding amounts from its debtors adversely affected the Corporation's ability to pay its creditors on a timely basis.

Staff Loans

116. The Corporation operated a staff loan scheme for motor vehicles, general purposes and education. There was no evidence however, that this had the required approval of the portfolio Ministry and the Ministry of Finance and Planning.

THE NATIONAL HEALTH FUND (NHF)

117. The National Health Fund was established on April 1, 2003 to provide financial support to the National Health Care System, to improve its effectiveness and the health of the Jamaican population. An audit of the Fund's financial transactions and accounting records for the period 2003/2004 revealed the following deficiencies:

(i) *Financing of the National Health Fund*

The National Health Fund (NHF) is financed from the following sources:

- a) Five percent (5%) of the amount collected by way of Special Consumption Tax;
- b) Moneys received from any levy or tax on tobacco and tobacco products;
- c) Moneys received from the National Insurance Fund.

The National Health Fund Act became effective on April 1, 2003 as indicated by notice in the Gazette. It stipulates that "all moneys collected on behalf of the National Health Fund from the above-mentioned sources should be paid directly to the Fund. It was noted however, that the Ministry of Finance and Planning issued directives to the Commissioners of Customs and Inland Revenue that payment to the Fund should commence on April 1, 2004 and a processing fee of 2.5% should be charged on the gross amounts payable to the Fund. This directive, which contravened the Act, resulted in revenues amounting to approximately \$1.1B not being forwarded to the Fund for the year 2003/2004. The Fund advised that the matter was being pursued with the Ministry of Finance and Planning.

(ii) *Granting of Loans*

It was noted that during the period under review, the Fund made advances of \$95M and \$30M to the Ministry of Health and the Health Corporation Ltd., respectively. The making of loans did not appear to be in keeping with the intention of the relevant Act.

(iii) *Acquisition of Motor Vehicles*

The audit disclosed that during the period under review the National Health Fund acquired two 2004 Toyota Land Cruiser Prado motor vehicles at a cost of \$3,657,754 each and assigned them to two Vice Presidents. This arrangement violated the Government's motor vehicle policy as the Vice Presidents were not entitled to assigned Government-owned motor vehicles. The Ministry of Finance and Planning and the Ministry of Health were advised to have the matter regularised.

(iv) *Overpayment of Upkeep Allowance*

Four (4) senior officers were paid upkeep allowances at rates in excess of that stipulated in their contracts for the period March to May 2004 resulting in the overpayment of \$362,038. It was recommended that the overpayment should be recovered.

(v) *Overseas Travel*

A senior officer undertook two trips abroad costing \$569,632. There was no evidence that the required approval was obtained from the portfolio ministry or that the Ministry of Finance and Planning had authorised the per diem paid.

REGIONAL HEALTH AUTHORITIES

118. The audit of the Regional Health Authorities for 2003/2004 disclosed the following areas of concern:

(i) *Non Remittance of Statutory Deductions*

Up to March 2004, statutory deductions from employees' emoluments as detailed below totalling \$2.73B had not been remitted by the four Regional Health Authorities to the relevant agencies as required by law. This breach of the relevant Acts not only exposed the Regional Health Authorities to possible legal

sanctions but could also adversely affect employees' entitlement to certain benefits.

Regional Health Authority	Amount
Western	367,095,855
Southern	612,562,517
North East	293,071,047
South East	<u>1,458,350,222</u>
Total	<u>2,731,079,641</u>

The Ministry subsequently advised that \$625M of the arrears had since been paid and it is expected that the remainder would be cleared by 31st March, 2005.

(ii) *Reconciliation of Bank Accounts*

Reconciliation of four (4) bank accounts at the South East Regional Health Authority was in serious arrears. Interest charges of \$223,495 were incurred on unauthorised bank overdrafts incurred on the salaries bank account. At the Southern Regional office there were arrears of more than two (2) years in the reconciliation of the general bank account. While at the Western Regional Office, expenses of \$163,521 were also incurred on unauthorised bank overdrafts.

(iii) *Excess Staff*

The records at the North East Authority revealed that during the period under review \$15.3M was paid to 58 persons who were engaged to posts that were not on the approved staff complement. It was also noted at the Southern Regional Authority that 547 persons were employed in excess of the approved complement, at a cost of \$219M. This practice undermined budgetary control.

(iv) *Overpayment of Salaries and Travelling Allowance*

The salary records at the North East Regional Office disclosed that five (5) officers were overpaid salaries and travelling allowances totalling \$702,691. Of this amount, \$136,164 was recovered up to the date of my audit.

(v) *Improper Payments*

At the Western Regional office payments totalling \$2,476,316 were made to staff for uniform and laundry allowances to which they

were not entitled. An officer was also overpaid acting allowance, mileage and subsistence allowance totalling \$73,969. At the South East office, two officers were overpaid allowances totalling \$237,091. Both Authorities were advised to effect recovery. I was subsequently advised that up to November, 2004 the amount of \$50,000 had been recovered at the South East Office.

(vi) *Unauthorised Emoluments*

The Southern Regional Health Authority engaged the services of an internal auditor during the period January 2001 to January 2004. Although the post was classified at the grade FMG/AS 3, this officer was paid in the FMG/AS6 salary scale, resulting in unauthorised payment of an additional \$2,142,470.

(vii) *Improper Payment of Sessional Fees*

Contrary to the Ministry of Finance and Planning guidelines, payments of sessional fees were made to medical interns at the Western and South East Regional Health Authorities for extra work done during the period January to December 2003. It is my understanding that sessional fees are properly payable to Medical Officers but not interns. It is my view that where interns are required to work extra hours they should more appropriately be compensated at the lower rate paid for rostered overtime. I recommended that this matter be regularized.

(viii) *Overpayment of Allowances*

Members of the accounting staff at the Western Health Authority were overpaid taxi fare and supper allowance totalling \$1,077,710. The Authority was advised to effect recovery. An investigation conducted by the Authority's Human Resource Department also revealed that six (6) officers were paid travelling allowances totalling \$992,433 to which they were not entitled. At the time of audit \$249,763 of the overpayment had been recovered.

(ix) *Fees for Medical Reports*

It was noted that at the Kingston Public Hospital patients paid \$1,750 for each medical report of which \$1,500 went to the doctor and \$250 to the institution. There was no indication that this rate and apportionment had the necessary formal approval. The Ministry subsequently advised that a policy directive has been issued discontinuing the practice of the payment to medical officers for the preparation of medical reports.

HEAD 4234 – BELLEVUE HOSPITAL

119. The audit of the captioned hospital for the year under review disclosed the following unsatisfactory features:

(i) *Outstanding Account*

Up to the date of this report, the Appropriation Account for 2003/2004 had not been received for audit.

(ii) *Misappropriation of Funds*

During the period under review, the Hospital reported that \$12,892,586 was misappropriated from its salaries bank account by a bank employee. Up to the time of this report, the bank had reimbursed the Hospital a total of \$11,522,140. The matter was reported to the Police.

(iii) *Bank Reconciliation Arrears*

At the time of audit (June 15, 2004), reconciliation of two (2) of the Hospital's accounts was in serious arrears. Failure to properly reconcile bank accounts in a timely manner impedes the institution's ability to detect and deal with errors and irregularities.

HEALTH SECTOR REFORM PROGRAMME **GOJ/IDB LOAN 1028/OC – JA**

120. The main objective of the Health Sector Reform Programme is to assist the Ministry of Health (MOH) in improving financial sustainability, equity, efficiency and the quality of health services in Jamaica. The audit of the accounting records and financial transactions of the Programme for the period under review disclosed a generally satisfactory state of affairs.

ADOPTION BOARD

121. A review of the accounting records and financial transactions of the captioned entity for the year 2003/2004 disclosed a generally satisfactory state of affairs.

GOLDEN AGE HOME

122. The audit of the captioned entity for the year under review revealed a generally satisfactory state of affairs. The few shortcomings identified were adequately addressed.

PROFESSIONS SUPPLEMENTARY TO MEDICINE

123. An examination of the financial transactions and accounting records of the captioned entity for 2003/2004 disclosed a generally satisfactory state of affairs.

NATIONAL COUNCIL ON DRUG ABUSE

124. An audit of the financial transactions and accounting records of the Council for the year 2003/2004 disclosed a generally satisfactory state of affairs. However, one of its bank accounts was not being reconciled, and emoluments totalling \$480,000 made to an officer and board fees of \$43,200 were not subject to tax as required by Section 5(1C) of the Income Tax Act.

MEDICAL COUNCIL OF JAMAICA

125. An audit of the accounting records and financial transactions of the Medical Council of Jamaica for the year under review revealed a generally satisfactory state of affairs. However, several payments were made without evidence of compliance with the required internal check and supporting documents.

UNIVERSITY HOSPITAL BOARD OF MANAGEMENT

126. Up to the date of this report, the audited financial statements for the Hospital in respect of the period 2000/2001 to 2003/2004 were not available for review. I was therefore unable to assess its financial position for this period.

HEAD 4220 – REGISTRAR GENERAL'S DEPARTMENT

127. The audit of the Agency for the year under review disclosed the following unsatisfactory matters:

(i) *Extension of Contracts*

Contracts for security, janitorial and transportation services were extended over the period April 2002 to March, 2004 at a cost of \$14.4M. However, there was no indication that there was the required written agreement on the revised rates paid or that these had been arrived at on a competitive basis.

(ii) *Unauthorised Payments*

Three officers were advanced gratuity payments totalling \$900,000 in breach of the Ministry of Finance and Planning's guidelines and the related contracts. This improper disbursement of funds could expose the Agency to losses.

(iii) *Unauthorised Increase in Emoluments*

There was no evidence that the necessary prior approval of the Office of the Services Commissions (O.S.C.) was obtained for the increase of \$476,250 per annum in the salary of an officer. This represented a clear breach of the related contract and the amount involved will have to be repaid unless ratified by the O.S.C.

HEAD 4235 – GOVERNMENT CHEMIST

128. The audit of the captioned institution for 2003/2004 raised concerns about inadequate segregation of accounting duties, unsatisfactory control over the stores, and breach of the Government's financial regulations in the checking of the value book. These weaknesses could cause errors or irregularities to go undetected. Corrective actions were recommended. The Department was also advised to recover salary overpayments totalling \$79,096.

HEADS 5100, 5100A AND 5100B –
MINISTRY OF AGRICULTURE

129. *Advance Debit Cards*

- (i) Receipts were not presented to allow verification of debit card transactions costing \$843,657 for the period May 2003 to January 2004.
- (ii) The quarterly Operational Efficiency Assessment Records for motor vehicles were not maintained up-to-date. These weaknesses prevented a proper assessment of whether motor vehicle fuel consumption was reasonable.

Budgetary Control

130. A comparison of the approved budget with the cash resources made available to the Ministry revealed substantial shortfalls especially on the Capital A Head of Estimates. The Ministry records disclosed that at 31st January, 2004 \$62,640,734 was owing to suppliers/contractors for over ninety (90) days, in contravention of the Financial Instructions. This was mainly attributable to the restricted cash resources and inadequate budgetary control.

Production Incentive Project

131. No documented qualifying criteria were seen by which persons became entitled to receive benefits under this project. It was indicated that the beneficiaries were chosen based on their needs but it could not be ascertained how these needs were assessed. Information was not presented on the expected and actual impact of the project on the level of agricultural production. The Ministry was asked to correct these weaknesses.

Tree Crop Programme

132. The achievement of the Programme for 2003/2004 fell below projection. This was due mainly to inadequate funding which resulted in nurseries not being provided with sufficient amounts of fertilizers and herbicides, which caused a significant reduction in the quantity of seedlings produced. The programme planned to produce 471 hectares or 105,988 seedlings of various types of tree crop but actual production was only 172 hectares or 41,480 seedlings, a shortfall of 63.5% of the physical target.

Fisheries Division

133. The audit of the Fisheries Division, and six (6) of its outstations disclosed the following shortcomings:

(i) *Storekeeping and Stores Control*

Issues of goods were sometimes made without properly authorized requisitions; stock records were not periodically checked by an officer independent of the storekeeper; and the records were not maintained on the perpetual inventory system. These deficiencies could result in errors and irregularities going undetected. It was recommended that corrective actions should be taken.

(ii) *Bank Reconciliation*

Reconciliation of the bank savings account was several years in arrears. Failure to reconcile the account on a timely basis may result in errors and irregularities going undetected for protracted periods.

(iii) *Motor Vehicle Inventory*

The Ministry's master inventory records disclosed that two (2) Honda motorcycles valued at \$160,000 were included in the fleet of vehicles assigned to the Fisheries Division. However, the motor vehicle inventory at the Fisheries Division did not include these vehicles, neither were they presented for physical inspection. The Ministry was asked to advise of their whereabouts.

(iv) *Furniture and Equipment Inventory*

The master inventory records were not up-to-date, and there was no evidence that the movement of items from one location to another was properly approved and promptly recorded. Inadequate maintenance of inventory records could undermine the control over fixed assets.

(v) *Unauthorised Use of Miscellaneous Revenue*

Revenues totalling \$1,029,000 collected over the period April 4, 2000 to December 12, 2003 were used to offset expenditure at the Division instead of being lodged to the Consolidated Fund as required by law. The Ministry was advised to ensure future compliance.

(vi) *Old Harbour Bay and Rocky Point Substations*

The gas meter registers at the captioned substations revealed that for the period April to October 2003, 16,625 litres of fuel valued at \$496,140 were not accounted for. The Ministry was asked to have these apparent shortages investigated.

(vii) *St. Ann's Bay Substation*

Up to the time of my audit deposits made to a PC Bank totalling \$505,519 for the years 2001 – 2003 were not remitted to the Fisheries Division in keeping with the contractual arrangement. The Ministry was asked to have this omission corrected.

FORESTRY DEPARTMENT

134. There was no evidence that the required quarterly evaluation of the operating efficiency of each of the Department's motor vehicles was conducted and documented. The stores ledger was not updated to record purchases made during the period May 2002 to May 2003 at a cost of \$244,464. The stipulated master inventory record for furniture and equipment was also not presented for audit.

AGRICULTURAL DEVELOPMENT CORPORATION

Audited Financial Statements

135. The most recent audited financial statements presented were for the financial year ended March 31, 1997 and were qualified by the private auditors. The absence of up-to-date audited financial statements made it difficult to determine the true financial status of the organization. It was recommended that every effort should be made to expedite the preparation and audit of the outstanding financial statements.

Statutory Deductions

136. As at 31st May, 2004 statutory deductions made from employees' emoluments totalling \$3,854,044 had not been remitted to the relevant agencies. These arrears dated back to September 2001.

RURAL AGRICULTURAL DEVELOPMENT AUTHORITY (RADA)

137. (i) *Outstanding Financial Statements*

Financial Statements for 2002/2003 and 2003/2004 remained outstanding up to the date of this report.

(ii) *Inadequate Control*

Inadequacies were noted in the control over (a) fixed assets at the St. Ann Parish Office, and (b) stores at the Trelawny office.

JAMAICA 4-H CLUBS

138. An examination of the accounting records and financial transactions of the Jamaica 4-H Clubs for the year under review disclosed the following shortcomings:

(i) *Salaries and Wages*

Four (4) ex-staff members were overpaid emoluments totalling \$61,896.

(ii) *Internal Control Weaknesses*

Improvements were needed in the recording and accounting for long distance telephone calls and fixed assets acquired.

(iii) *Outstanding Financial Statements*

Section 13 of the Jamaica 4-H Clubs Act was breached as the annual financial statements for the financial years 1998/1999 to 2002/2003 remained outstanding up to the time of this report. The entity advised that it expected that the financial statements would be completed by December 31, 2004.

JAMAICA AGRICULTURAL SOCIETY

139. An examination of the financial transactions and accounting records of the captioned entity for the year under review revealed the need for improvement in the maintenance of fixed assets records and in the clearance of discrepancies

reflected on the bank reconciliation statements. Management advised that steps were being taken to correct these weaknesses.

Non-remittance of Statutory Deductions

140. At the time of audit, statutory deductions amounting to \$19,338,415 made from employees salaries between 1996 and 2003 were not remitted to the relevant agencies as required by law. This could have an adverse effect on employees' entitlement to certain benefits.

JAMAICA VETERINARY BOARD

141. The audit of the financial transactions and accounting records of the captioned entity revealed certain weaknesses in the procurement process and in the recording and lodgement of cash receipts. In addition, the practice of signing some blank cheques continued. These weaknesses could undermine the control over the Board's resources.

HEADS 5200, 5200A AND 5200B – MINISTRY OF COMMERCE, SCIENCE & TECHNOLOGY

142. The audit of the Ministry's financial transactions and accounting records for 2003/2004 disclosed a generally satisfactory state of affairs. However, the related Appropriation Accounts had not been submitted for audit up to the date of this report.

CONSUMER AFFAIRS COMMISSION

143. An audit of the captioned entity revealed the following inadequacies:

(i) *Internal Control weaknesses*

Instances were noted where the entity failed to use the required competitive pricing for the procurement of goods and services; arrears of up to ten months were noted in the preparation of bank reconciliation statements; there were delays of up to 30 days in lodgement of certain revenue collections; and the entity failed to maintain the necessary blank cheques register. Corrective measures were recommended to address these weaknesses.

(ii) *Improper Payment*

There was no evidence that the cost of personal airfare amounting to \$41,668 was recovered from a former officer. The Commission was advised to effect recovery.

SPECTRUM MANAGEMENT AUTHORITY

144. The audit of the Spectrum Management Authority for the year under review revealed a generally satisfactory state of affairs.

FAIR TRADING COMMISSION

145. The audit of the financial transactions and accounting records of the Commission for 2003/2004 revealed a generally satisfactory state of affairs.

JAMAICA BUREAU OF STANDARDS

General Comments

146. At the request of the Public Accounts Committee of the House of Representatives a special audit was conducted of the operations, financial transactions and administrative activities of the captioned entity. This disclosed a number of matters of concern which are summarised below.

Policies and Procedures

147. The Jamaica Bureau of Standards is a statutory body established by the Standards Act of 1968 to promote and encourage the maintenance of standards in relation to commodities, processes and practices. In addition, the Bureau has responsibility for enforcing the Weights and Measures and the Processed Foods Acts. A Standards Council appointed by the Portfolio Minister is responsible for the policy and general administration of the affairs of the Bureau. However, at date of audit there was no evidence that 17 of the Bureau's 19 policies and its 24 technical procedures were approved by the Council. It was recommended that efforts should be made to have these policies and procedures formally approved by the Standards Council.

Weighing and Measuring Equipment

148. Inspection and testing of weighing and measuring equipment used for trade were mainly carried out when requested by owners of such equipment for a fee. It was also observed that these equipment were not routinely retested at the expiration of calibration certificates. An examination of the gas stations' certification schedule revealed that at date of audit, there were many petrol pumps with long expired calibration certificates. The non-testing of these equipment could result in businesses using malfunctioning weighing and measuring equipment to sell goods to the public. It was recommended that the Bureau adhere to the authority vested in it at paragraph #9 of the weights and Measures Act by conducting regular unrequested random testing in order to better protect the public interest. I was subsequently advised that appropriate corrective measures were being instituted.

Registration Certificates

149. The Processed Food Act states *that no person shall operate an establishment (i.e. any place in which any prescribed food is manufactured or processed for export or for sale) unless it is registered in such manner and subject to such requirements and conditions as shall be prescribed.* A review of the registered food establishment record for four parishes, disclosed that at the date of my audit, one hundred and thirty-three (133) businesses' registration certificates were not renewed for up to four years. The Bureau was advised to take the necessary corrective action. I was subsequently advised that some of these businesses had ceased operations and a number of the others had been given time to effect improvements recommended before they could be certified. A more comprehensive and updated database was also said to have been developed.

Monitoring of Goods

150. Products which fail to meet prescribed standards were normally withdrawn from sale at retail outlets by the Bureau of Standards. For the period October 2003 to December 2003, withdrawal notices were issued for a total of 24,431 products which failed to meet prescribed standards. However, there was no documented evidence to indicate that follow-up visits were made to ensure that these goods were not subsequently re-offered for sale to the public. It was therefore not possible to verify whether such follow-up visits were indeed undertaken and where applicable, the goods were appropriately destroyed. The Bureau subsequently advised that an appropriate data base was being developed to record and report on all withdrawal of goods and follow up action taken.

SCIENTIFIC RESEARCH COUNCIL

151. An audit of the captioned entity for the financial year 2003/2004 revealed the following shortcomings:

(i) *Contract Payment*

A contract was awarded for \$1.5M without any evidence that (a) the contractor was selected on a competitive basis, (b) the necessary tax compliance certificate was produced as a pre-condition for selection, or (c) the required Contractors Levy totalling \$30,240 was deducted from the payments made.

(ii) *Board Fees*

Board fees amounting to \$49,275 were paid to three board members who were absent from the related meetings. It was recommended that the fees be recovered.

(iii) *Emoluments*

The Council paid certain employees emoluments well in excess of the related salary scales without evidence of special approval of the Ministry of Finance and Planning.

(iv) *Credit Card Transactions*

The Council honoured credit card expenses amounting to \$17,187 without adequate evidence that the related transactions were of an official nature.

HEAD 5238 – OFFICE OF THE REGISTRAR OF COMPANIES

152. The audit of the financial transactions and accounting records for the year under review disclosed that the required approval had not been obtained for an increase of \$229,273 per annum in the emoluments of one officer and the reclassification of the post occupied by another officer.

HEAD 5239 – POST AND TELECOMMUNICATIONS DEPARTMENT

153. The audit of the captioned Department for the year under review disclosed a generally satisfactory state of affairs. However, reconciliation of the revenue

bank account, despite minimal improvement, continued to be several years in arrears. This impeded the Department's ability to detect and correct possible errors and irregularities in a timely manner. The Department advised that the assistance of the Ministry of Finance and Planning had been sought to deal with this problem.

POSTAL CORPORATION OF JAMAICA

154. The audit of the captioned Corporation revealed the following matters of concern:

(i) *Outstanding Financial Statements*

The audited financial statements for 2002/2003 and 2003/2004 were not available up to the time of this report.

(ii) *Absence of Approval*

The required approval of the Ministry of Finance and Planning for the emoluments paid to employees, the use of the credit cards and the Corporation's loan policy was not seen. The Corporation has written to the Ministry seeking retroactive approval.

HEADS 5800, 5800A AND 5800B – MINISTRY OF LAND AND ENVIRONMENT

155. The audit of the financial transactions and accounting records of the captioned Ministry for the period under review disclosed a generally satisfactory state of affairs.

THE OFFICE OF DISASTER PREPAREDNESS AND EMERGENCY MANAGEMENT (ODPEM)

156. An examination of the accounting records and financial transactions of the captioned agency for the year under review indicated a generally satisfactory state of affairs. However, the following deficiencies were noted:

(i) *Overpayment of Salaries*

Two (2) officers were overpaid emoluments amounting to \$152,264 as a result of the incorrect payment of acting allowance. The agency indicated that recovery of these overpayments would commence in December 2004.

(ii) *Motor Vehicle Records*

The required quarterly evaluation of the operating efficiency of motor vehicles owned by the organization was not being done. The necessary control register was also not maintained for recording the receipt and issue of Advance Debit Cards to drivers of fleet vehicles.

(iii) *Blank Cheques Register*

There was no evidence that the blank cheques register was subjected to independent check. The register was not maintained in a manner to reflect the perpetual inventory balance. The Ministry subsequently advised that these shortcomings had been corrected.

MINES AND GEOLOGY DIVISION

157. An audit of the entity's transactions for the financial year 2003/2004 revealed a generally satisfactory state of affairs. However, there was no evidence that twenty-four (24) quarry operators had paid penalties and interest totalling \$794,666 that had accrued as a result of the late payment of quarry tax. The Division subsequently advised that a number of measures had been taken to deal with the problem.

LAND ADMINISTRATION AND MANAGEMENT PROGRAMME GOJ/IDB LOAN NO. 1219/OC – JA

158. The Land Administration and Management Programme, which is jointly funded by the Government of Jamaica and the Inter-American Development Bank, aims to establish a dynamic land market that promotes an efficient use of land resources. This is to be achieved through Land Registration, Public Land Management, Land Information Management and Land Use Planning and Development. The audit of the financial transactions and accounting records of the project for 2003/2004 disclosed a generally satisfactory state of affairs.

NATIONAL ENVIRONMENT AND PLANNING AGENCY

159. The audit of the captioned Agency for the period under review disclosed the following matters of concern:-

(i) *Unsupported Payment*

The required supporting documents were not presented for 4 payments totalling \$21,995. The authenticity of the payments could therefore not be verified.

(ii) *Operating Loss*

The accounts disclosed that N.E.P.A.'s expenditure for the year ended 31st March, 2003 exceeded its income by \$36.5M. The Agency explained that this was mainly due to a shortfall in expected funding from the Ministry of Finance. Efforts at cost reduction were being made to correct the situation.

HEAD 5847 – NATIONAL LAND AGENCY

160. The audit of the captioned agency for the financial year 2003/2004 disclosed the following shortcomings:

(i) *Advance Debit Cards*

Copy receipts to verify expenditure for fuel were not filed and made available for audit as required.

(ii) *Outstanding Receivables*

Proper debtor accounts were not maintained but information seen indicated that as at 31st July 2004 approximately \$1.87M was owed to the Agency by several debtors. Some of the balances were outstanding for protracted periods. The Agency was advised to pursue more effective collection measures and to institute proper debtor records.

(iii) *Outstanding Annual Returns*

Annual Returns for statutory salary deductions were not submitted for the calendar years 2002 and 2003. This could adversely affect employees access to certain benefits.

HEADS 6300, 6300A AND 6300B –
MINISTRY OF WATER AND HOUSING

Housing Fund Revenue

161. The Housing Fund is a Statutory Fund established under the Housing Act 1966, to provide a source of capital for housing development. An audit of the Fund for the year under review disclosed the following matters of concern:

(i) *Outstanding Administrative and Legal Fees*

The records disclosed that at March 2004 Administrative and Legal Fees amounting to \$12,249,891 were owed to the Ministry by eight (8) developers who had not complied with the stipulated payment schedules. The Ministry was advised to take appropriate corrective measures.

(ii) *Arrears on Land Payment*

As at August 2004 amounts totalling \$48.15M remained owing by two (2) developers for lands which were made available to them for housing developments. This represented a breach of the related joint venture agreements. The Ministry subsequently advised that a revised payment plan had been agreed with one of the developers and it was expected that a payment of \$18M would be made by December, 2004.

(iii) *Outstanding Advances*

The Fund's advance accounts were not properly maintained and could result in amounts not being adequately accounted for. It was recommended that the necessary corrective action should be taken.

JAMAICA MORTGAGE BANK

162. An audit of the captioned Agency for the year under review disclosed the following weaknesses:

(i) *Engagement of Consultant*

There was no evidence that a proper contract was executed for the engagement of a consultant who received emoluments of \$2.5M between April 2003 and January 2004. This breached the Government's regulations and prevented assessment as to whether the intended terms and conditions had been met.

(ii) *Lunch Allowance*

There was no evidence that necessary approval was obtained from the Ministry of Finance and Planning for the payment of Lunch Allowance of \$46,800 per annum each to twenty-two (22) employees. The same omission was noted in the employment of a car park attendant.

(iii) *Overpayment of Bonus*

Fifteen (15) employees were overpaid bonuses amounting to \$153,234. The bank was advised to effect recovery at the earliest possible date.

(iv) *Credit Card Transactions*

It was noted that on occasions payments were made for credit card transactions undertaken by an officer, without evidence that the relevant supporting invoices were presented. This breached the Ministry of Finance's guidelines and prevented proper assessment as to whether these disbursements represented a proper use of public funds.

WATER RESOURCES AUTHORITY

163. The audit of the Water Resources Authority for the year under review revealed a generally satisfactory state of affairs.

HEADS 6500, 6500A AND 6500B - MINISTRY OF TRANSPORT AND WORKS

164. The audit of the accounting records and financial transactions of the Ministry of Transport and Works for the year under review disclosed a generally satisfactory state of affairs. However, up to the time of this report the

Appropriation Accounts for the financial year 2003/2004 were not presented for audit.

GOJ/IDB CONTRACT NO. 972/OC-JA
NORTHERN JAMAICA DEVELOPMENT
PROJECT – SEGMENT 2

165. The captioned Project aims to improve the infrastructure in tourism centres along the northern coast of Jamaica. Segment 2 is the portion of the Northern Coastal Highway (Improvement Sub-Project) extending eastwards approximately 97 kilometres from Montego Bay to Ocho Rios. En route it links the parishes of St. James, Trelawny and St. Ann and for much of its length, is parallel to (and near) Jamaica's northern coastline. The Project which is estimated to cost US\$83M is jointly funded by the Inter-American Development Bank (IDB) US\$57.5M and the Government of Jamaica (GOJ) US\$25.5M. The audit of the Project for the period under review disclosed that in May 2003, the Jamaica Public Service Company (JPS Co.) was paid amounts totalling \$45M by the National Works Agency (NWA) for removing old transmission and distribution utility poles along Segment 2 and Segment 3 of the Northern Coastal Highway and erecting new ones in their place along with the associated electrical equipment and wiring. It was noted that an independent consultant's study of the relocation exercise commissioned by the NWA expressed the view that JPS was using the NWA to fund improvements to its system free of cost and indicated that the NWA should be able to recover between forty to fifty percent of the fees paid to the JPS. The NWA advised that the matter was being pursued with the JPS.

HEAD 6550 – NATIONAL WORKS AGENCY (NWA)

166. The audit of the financial transactions and accounting records of the National Works Agency for the year under review revealed a generally satisfactory state of affairs.

ROAD MAINTENANCE FUND

167. A test check of the financial transactions and accounting records of the Road Maintenance Fund for the year under review disclosed a generally satisfactory state of affairs. However the required approval of the Ministry of Finance and Planning of the emoluments paid to the Fund's employees was not presented; a salary overpayment of \$40,000 was noted; and there was need for improvement in the segregation of accounting duties.

AIRPORTS AUTHORITY OF JAMAICA

168. An audit of the Airports Authority for the period under review revealed the following matters of concern:

(i) *Financial Statements*

Up to the date of this report, there was no indication that the audited financial statements for 2001/2002 and 2002/2003 had been submitted to Parliament as required by Section 3 of the Public Bodies Management and Accountability Act.

(ii) *Board Fees*

A Board member was overpaid \$44,000 for attendance of meetings of a sub-committee.

CIVIL AVIATION AUTHORITY

169. A review of the financial transactions and accounting records of the Authority for the financial year 2003/2004 revealed the following shortcomings:

(i) *Overpayment*

An officer was overpaid \$115,436 due to the refund of salary which had previously been withheld for a period of no pay leave. The amount was set off against leave subsequently earned, in contravention of Government's guidelines for the payment of salary in lieu of leave.

(ii) *Improper Travel Expenses*

The audit disclosed that an officer was paid a total of \$71,568 to travel from his home to the office in violation of Government's rules. The Authority promised to investigate the matter.

(iii) *Statutory Deductions*

For the period January 2003 to March 2004, the required statutory deductions amounting to \$23,484 were not made from emoluments paid to an officer.

HEADS 7200, 7200A & 7200B –
MINISTRY OF LOCAL GOVERNMENT,
YOUTH AND COMMUNITY DEVELOPMENT

170. The audit disclosed that the financial transactions for the period under review were conducted in a generally satisfactory manner. However, overpayment of salaries totalling \$37,399 to three officers was noted.

PARISH INFRASTRUCTURE DEVELOPMENT
PROGRAMME GOJ/IDB LOAN NO. 1197/OC-JA

171. The Parish Infrastructure Development Programme which is jointly funded by the Government of Jamaica and the Inter-American Development Bank seeks to (a) promote changes in the legal and institutional framework that will strengthen Local Government; (b) strengthen the financial viability and institutional capacity of Parish Councils to carry out their responsibilities; (c) strengthen the capacity of the Ministry of Local Government to support and promote Parish Councils; (d) encourage community participation in local decision making; and (e) finance the rehabilitation of basic priority infrastructure in the parishes, thereby fostering their economic development. The audit of the Programme for the 2003/2004 financial year, disclosed a generally satisfactory state of affairs. However, an overpayment of \$195,885 to a contractor was noted.

NATIONAL SOLID WASTE MANAGEMENT
PROGRAMME GOJ/IDB LOAN NO. 1185/OC-JA

172. The National Solid Waste Management Programme is jointly funded by the Government of Jamaica and the Inter-American Development Bank and is implemented by the Ministry of Local Government, Community Development and Sport. The main objectives of the Programme are to improve the environment and sanitary conditions of the solid waste site in the Kingston Metropolitan area and other non-active sites around the country, as well as to develop an action plan for a countrywide Solid Waste Management Programme. The audit of the Programme for the period under review revealed the following areas of concern:-

(i) *Repairs Expenses*

Expenditure totalling \$16.8M for repairs and servicing was incurred during the period June 2002 and April 2004, most of which related to repairs to garbage processing equipment. The high cost was attributed to the low performance level of the equipment and frequent downtime. The Programme was asked to indicate what strategies were contemplated to deal with this problem.

(ii) *Tipping Fees*

With effect from June 2003, Tipping Fees were to have been implemented as a method of recovering cost related to the setting up and maintenance of the facility at the Riverton Landfill site. However, up to the date of this report, the National Solid Waste Management Authority (NSWMA) had not been able to get this aspect of the Programme off the ground.

JAMAICA FIRE BRIGADE

173. An audit of the captioned entity for the year under review disclosed the following unsatisfactory findings:

(i) *Outstanding Financial Statements*

Up to the date of this report the audited financial statements for the period 1996/97 to 2003/2004 were not available. This prevented a proper assessment of the entity's financial state of affairs.

(ii) *Outstanding Statutory Deductions*

Up to the time of my audit amounts totalling \$427.8M for employers' statutory contributions and deductions made from employees' emoluments between September 1999 and February 2004 had not been remitted to the relevant collecting agencies.

(iii) *Salaries Overpayment*

Two officers were overpaid amounts totalling \$58,728. The Brigade was asked to effect recovery and to improve the internal control weaknesses identified in the preparation and payment of salaries.

(iv) *Absent on Grounds of Illness*

At the date of audit three officers were in receipt of their full basic salaries, while being continuously absent on the grounds of illness for periods ranging from 801 to 1,333 days. The Brigade was advised to take the necessary steps to have the officers subjected to a Medical Board in keeping with the Government's guidelines.

NATIONAL SOLID WASTE MANAGEMENT AUTHORITY

174. An audit of the accounting records and financial transactions of the captioned Authority for the year under review disclosed the following deficiencies:

(i) *Outstanding Financial Statements*

Annual financial statements for the years 2002/2003 and 2003/2004 were not available up to the date of this report. This breached the Public Bodies Accountability Act and prevented a proper assessment of the Authority's financial state of affairs.

(ii) *Unremitted Statutory Deductions*

Up to the time of my audit amounts totalling approximately \$21M for employers' statutory contributions and deductions made from employees' emoluments between June 2002 and March 2004 had not been remitted to the relevant collecting agencies. This exposed the Authority to possible penalties, and employees may be denied access to certain benefits.

(iii) *Unrecorded Fixed Assets*

At the time of audit, furniture and equipment costing \$10.9M, which were acquired since 2002, had not yet been entered in the inventory register. This undermined the Authority's control over its assets and the preparation of the financial statements.

(iv) *Advance Debit Cards*

The non-submission of receipts for petrol acquired at certain service stations by the various regional offices prevented the appropriate reconciliation to ensure that expenditure of \$23M represented a proper use of public funds.

(v) *Salary Overpayments*

Amounts totalling \$25,272 were overpaid to four persons due to incorrect calculation of salary. The Authority was advised to effect recovery.

SOCIAL DEVELOPMENT COMMISSION

175. The audit of the financial transactions and accounting records of the Social Development Commission (SDC) for 2003/2004 disclosed the following deficiencies:

(i) *Expenses paid on behalf of the Portfolio Ministry*

The required approval of the Ministry of Finance and Planning was not seen for expenses incurred on behalf of the parent Ministry amounting to \$1,137,100 in contravention of government's financial guidelines.

(ii) *Inadequate Fixed Asset Control*

Management's ability to properly account for and safeguard the organization's fixed assets was undermined by the failure to maintain a detailed Fixed Asset Register reflecting the assets located at the head and regional offices.

(iii) *Un-remitted Statutory Deductions*

As at the date of this report statutory deductions totalling \$56.6M made from employees' emoluments over a protracted period had not been remitted to the relevant collecting agencies. Management advised that this was due to a shortfall in budgetary provisions for previous years. The Commission was reminded that this represented a breach of the law.

(iv) *Procurement from S.E.S.P. Fund*

An audit of programmes falling under the S.E.S.P. Fund disclosed the following shortcomings:

- a) In many instances, no evidence was presented to substantiate that the beneficiaries under the programmes met the criteria stipulated in Ministry Paper No. 29/99.

- b) There was no indication that the Commission adequately considered the sustainability of the projects falling under the Economic Enablement/Assistance programme. Also, no evidence was produced to indicate that the SDC verified that the items given to beneficiaries under this programme were used for their intended purposes.
 - c) No evidence was presented to indicate that the procurement of goods/services were based on competitive price quotations as stipulated by Government's procurement procedures. In addition, the required original suppliers' invoices were not presented for payments totalling \$2.56M.
- (v) *Meeting of Board Members*

Up to the time of this report, there was no indication that any Board Meeting had been held since November 15, 2002. This appeared to be in contravention of the requirements of the Jamaica Social Welfare Commission Act.

KINGSTON AND ST. ANDREW CORPORATION

176. The audit of the captioned entity for 2003/2004 disclosed the following weaknesses:

(i) *Outstanding Financial Statements*

Up to the date of this report the Annual Financial Statements for 2001/2002, 2002/2003 and 2003/2004 were not presented for audit.

(ii) *Inadequate Control of Telephone Calls*

The controls exercised over the use of the telephones continued to be unsatisfactory. For the period under review the Corporation spent approximately \$1.8M on telephone calls, which exceeded the budget by \$760,000.

(iii) *Salaries and Wages*

Five officers were overpaid emoluments totalling \$137,951. Up to the date of this report \$54,600 was recovered.

(iv) *Travelling Expenses*

The stipulated approval of the Ministry of Finance and Planning was not presented for overseas trips amounting to \$2.86M. The Corporation has promised future compliance with this requirement.

**KINGSTON AND ST. ANDREW PARISH DEVELOPMENT
COMMITTEE PROJECT**

177. The Kingston and St. Andrew Parish Development Committee Project which is jointly funded by a grant from the Cities Alliance Programme and other co-financing partners aims to guide the redevelopment and management of the City of Kingston over the next twenty (20) years. The audit of the Project for the period under review disclosed the following weaknesses:-

(i) *Internal Control*

There was inadequate separation of duties with regards to the preparation of payment vouchers and salaries. It was recommended that appropriate checks and balances should be instituted.

(ii) *Salary Reimbursement*

A Financing Partner was reimbursed \$134,810 for salary paid to an officer for the period February 2002 to April 2002, but the related letter of engagement to the Project stated May 6, 2002 as the effective date of employment. Management was asked to clarify this matter.

KINGSTON AND ST. ANDREW CORPORATION – MARKETS

178. An audit of the accounting records and financial transactions of the KSAC markets for the year under review disclosed the following deficiencies:

(i) *Outstanding Statutory Deductions*

Statutory deductions of approximately \$16.6M made from employees' emoluments over the period July 2001 to March 2004 were not remitted to the relevant agencies. Failure to remit such deductions in keeping with the related Acts could result in penalties, and deprive employees of benefits.

(ii) *Improper Payments*

An officer was paid \$28,187 for fuel supplied to his motor car but there was no evidence that he was entitled thereto.

PARISH COUNCILS

179. The audit of the financial transactions and accounting records of the Parish Councils for 2003/2004 revealed a generally satisfactory state of affairs. However, the under-mentioned deficiencies were noted:

(i) *Arrears of Revenue*

At the time of audit the records reflected that arrears for rent totalling \$4.75M were owed to the Portland, St. Mary, Trelawny and St. Elizabeth Councils.

(ii) *Overpayments*

Salaries amounting to \$3.02M were overpaid to certain Councillors at the Trelawny (.95M) and St. Catherine (\$2.07M) Parish Councils for periods when they were absent from Council meetings without the required approval. There was also no evidence that the overpayments to Councillors in St. Catherine amounting to \$8.6M which was reported at Paragraph 174 (ii) of my 2002/2003 report had been recovered. In addition, three employees were overpaid emoluments totalling \$82,179 at the St. Catherine (\$79,031) and Trelawny (\$3,148) Councils.

(iii) *Inventory Control*

Furniture and equipment costing \$325,274, acquired by the St. Catherine Council during the year under review, were not reflected in the inventory records.

(iv) *Outstanding Financial Statements*

Up to the time of this report, the annual financial statements for 2000/2001 to 2003/2004 in respect of the Westmoreland Parish Council remained outstanding.

(v) *Unremitted Annual Returns*

At the Westmoreland Council, up to the time of audit the required annual returns for the National Housing Trust and National Insurance for the years 2000 to 2003 had not been filed. The returns for Income and Education Taxes for 2002 and 2003 also remained outstanding. Annual returns not filed on a timely basis could deprive contributors of their rights to certain benefits.

(vi) *Bank Reconciliation*

At the St. Mary Council the recurrent and capital bank accounts were not reconciled for many months.

ACKNOWLEDGEMENT

180. I take this opportunity to record my appreciation to Accounting Officers and their staff, and officers of Local Government agencies, other statutory bodies and government companies for the cooperation and courtesies extended to my staff and myself during the year 2004.

ADRIAN P. STRACHAN, CD, FCCA, FCA
AUDITOR GENERAL
21st December, 2004