

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 31<sup>ST</sup> MARCH, 2005

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**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 31<sup>st</sup> March, 2005. 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 2004/2005 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. Several programmes and projects were selected for special audits aimed at assessing if adequate planning had been done, proper management control systems instituted and whether the programmes and projects were achieving their intended objectives. A number of computer systems were also audited to determine whether they were proving to be effective management tools. The overriding intent of the audits was 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.

### ***Staffing Matters***

6. The approved staff complement for the Auditor General's Department makes provision for 173 posts of which 148 are directly related to the conduct of auditing duties. In recent years we have been operating well below the approved establishment and at the time of this report 24 or 16% of the 148 auditing positions were vacant. This shortage is beginning to have a negative impact on the Department's effectiveness in the discharge of its statutory responsibilities. Efforts to have these vacancies filled have so far been unsuccessful because of the Government's employment policy and budgetary restraint.

7. During the period under review the Department continued to encourage staff development. Twelve (12) officers were given time off from work, "day releases" and study leave to pursue courses of study at tertiary institutions. In 2005, three (3) officers successfully completed degree courses from universities. During the year one officer attended an accounting course at the Management Institute for National Development, while 69 employees participated in internal training courses in auditing, report writing and use of computers. The Department's Functional Leader for Information Technology also attended two overseas computer courses.

### ***Public Accounts Committee***

8. 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.

### ***Summary of the Major Findings of the Audits***

9. A summary of the major findings of the audits conducted for the period under review is provided at paragraphs 10 to 16 below.

### ***Generally Satisfactory Audit Findings***

10. The audits for the period under review disclosed that the financial affairs of many ministries, departments and other Government entities were conducted in a generally satisfactory manner with only minor breaches of the Government's financial and accounting rules observed.

### ***Arrears of Annual Financial Statements***

11. Government entities are required to submit for audit annual financial statements within four months after the end of each financial year. However, many of them were in varying degrees of arrears in meeting this requirement. In the case of ministries and departments, which should submit Appropriation Accounts, up to December 9, 2005, I had not received 50 accounts for 2004/2005 and 12 for 2003/2004. A schedule of the outstanding Appropriation Accounts is shown at Appendix "A" to this report. Delay in the submission of the annual financial statements undermined the public accountability process and prevented a proper assessment of the entities financial performance and their state of affairs.

### ***Improper Payments***

12. Many instances of overpayments, improper expenditure and unauthorized disbursements totalling approximately \$14.2M were noted. The affected entities were told to effect recovery of these amounts failing which the negligent or responsible officers will be reported to the Financial Secretary for the imposition of monetary surcharge sanction against them.

### ***Losses, Irregularities and Unverified Transactions***

13. During the period under review losses amounting to approximately \$16.6M which resulted from fraud, theft, negligence and flooding were disclosed by the audits or reported by various Government organizations. The cases of losses and irregularities were reported to the police. In addition, I was unable to verify the authenticity and correctness of payments totalling approximately \$17M as the related vouchers or supporting bills were not presented for audit. I was also unable to ascertain whether assets for which payments of about \$10M were made, had been properly accounted for. The relevant entities were asked to produce the required documents, information and explanations.

### ***Internal Control Weaknesses***

14. It is the responsibility of the management of each Government entity to ensure that an effective system of internal control is in place. Internal control incorporates all systems of control instituted to ensure that an organization achieves its objectives in an economical and efficient manner, that it is provided with prompt and reliable accounts and other relevant information, its assets are properly safeguarded and the necessary checks and balances exist to prevent and detect errors and fraud. Failure by several entities to comply with the Government's financial rules resulted in inadequate control over furniture and equipment, the use of motor vehicles and the preparation and payment of salaries. Reconciliation of many bank accounts also remained in serious arrears, thereby creating an environment which facilitated the concealment of errors and fraud.

### ***Unpaid Statutory Deductions***

15. Several agencies of Government continued to be tardy in the submission of statutory deductions made from employees' emoluments. At the time of audit 8 such entities owed arrears of approximately \$3.44B. This was not only in breach of the relevant Acts but could adversely affect employees' entitlement to certain benefits.

### ***Breaches of Procurement Requirements***

16. Many breaches of the Government's prescribed rules for the procurement of goods and services were noted. In some instances there was no indication that the required recommendation of the National Contracts Commission or Cabinet approval was obtained. But the most common infraction was the failure of many entities to invite the required competitive price quotations before awarding contracts for less than \$4M. I was therefore often unable to determine how those organizations satisfied themselves that the prices paid were fair and reasonable.

**HEAD 0100 – HIS EXCELLENCY THE  
GOVERNOR GENERAL AND STAFF**

17. The audit of the financial transactions and accounting records for the captioned entity for the year under review disclosed the following areas of concern:

(i) *Outstanding Appropriation Account*

The Appropriation Account for the financial year 2004/2005 was not presented for audit up to the date of this report.

(ii) *Internal Control Weaknesses*

In several instances payment vouchers were not signed by the authorizing and certifying officers as required. There was inadequate segregation of duties in the preparation and payment of salaries and the payroll register did not bear evidence of certification by a senior officer. The furniture and equipment inventory records were not properly updated and items deemed obsolete were removed from the records without the necessary approval of the Ministry of Finance. There was also no evidence that the required quarterly evaluation of the operating efficiency of motor vehicles was conducted. Recommendations were made to correct these shortcomings.

**HEAD 0200 – HOUSES OF PARLIAMENT**

18. The financial transactions and accounting records of the Houses of Parliament examined for the year under review were found to be generally satisfactory. However, there was need for improvement in the maintenance of the furniture and equipment control records and rental arrears totalling \$150,000 were owed by an officer who was assigned a Government-owned apartment. It was subsequently advised that this would be recovered over eight months with effect from November 2005.

### **HEAD 0300 – OFFICE OF THE PUBLIC DEFENDER**

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

### **HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL**

20. The audit of the financial transactions and accounting records of the Contractor General's Office for the year under review disclosed a generally satisfactory state of affairs.

### **HEAD 0600 – OFFICE OF THE SERVICES COMMISSIONS**

21. The financial transactions and accounting records of the Commissions for the year under review were found to be generally satisfactory. However, the Appropriation Account for the financial year 2004/2005 was not presented for audit, up to the time of this report.

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

22. The audit of the financial transactions and accounting records of the Office of the Prime Minister for the period under review disclosed a generally satisfactory state of affairs. However, contrary to Section 9(8) of the Financial Administration and Audit Act, the Ministry of Finance and Planning gave approval for \$16.265M to be advanced between Heads of Estimates. Up to the date of this report, such advances amounting to approximately \$4.2M had not been reversed. The effect of this is that voted resources had not been utilized in compliance with the wishes of Parliament. The Office was reminded that such re-allocation of resources should be done by way of supplementary estimates of expenditure.

## **BUREAU OF WOMEN'S AFFAIRS**

23. The audit of the captioned entity for the year under review revealed a generally satisfactory state of affairs but there was need for improvement in the control over moneys collected

## **CREATIVE PRODUCTION AND TRAINING CENTRE**

24. 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 internal control weaknesses identified were subsequently addressed by management.

## **URBAN DEVELOPMENT CORPORATION**

25. A limited audit of the financial transactions and accounting records of the Urban Development Corporation for the year under review disclosed a generally satisfactory state of affairs. However, the under-mentioned areas of concern were noted:

(i) *Travelling Allowances*

There was no evidence that the requisite approval was obtained from the Ministry of Finance and Planning for the payment of travelling allowances ranging from \$420,000 p.a. to \$602,800 p.a. to certain members of staff.

(ii) *Staff Loans Policy*

The required approval of the Ministry of Finance and Planning was also not presented for the staff loans policy and the operation of a \$15M motor vehicle revolving loan scheme. The Corporation advised that this approval had since been sought.

## **HEAD 1510 – JAMAICA INFORMATION SERVICE**

26. The audit of the financial transactions and accounting records of the captioned Agency for the year 2004/2005 disclosed the following matters of concern:

(i) *Advance Debit Card and Motor Vehicle Control*

There was need for improvements in the control exercised over the use of motor vehicles and fuel advance debit cards as log books and the advance fuel cards register were not faithfully maintained. The stipulated periodic evaluation of the operational efficiency of each fleet vehicle was also not being done.

(ii) *Motor Vehicle Accident*

An accident involving one of the Agency's vehicles resulted in repairs costing \$228,720. The Attorney General's Office ruled that the Agency's driver, who had since resigned, was negligent and as such the Agency asked him to pay the full cost of the repairs. Up to the date of this report \$41,248 had been recovered leaving a balance of \$187,472. The Agency was advised to continue efforts to recover the outstanding amount.

(iii) *Procurement Breaches*

Goods costing approximately \$1,903,951 were procured without evidence that the required competitive price quotations were obtained. It could therefore not be determined if the best value was received for the money spent.

(iv) *Fixed Assets*

I was unable to verify the continued existence of items of fixed assets recorded in the assets register at a cost of \$73,988 as they were not presented for audit. The Agency was asked to have the matter investigated.

(v) *Rental Agreements*

Payments totalling \$638,244 were made by the Agency for rental of two of its offices; however, valid rental agreements were not presented. Management was advised to regularize the situation without delay as it could lead to controversy in the event of any dispute.

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

27. The audit of the accounting records and financial transactions of the Office of the Cabinet for the year under review disclosed a generally satisfactory state of affairs.

**JAMAICA SOCIAL POLICY EVALUATION PROJECT (JASPEV)  
JAMAICA PERFORMANCE IMPROVEMENT PROJECT(JAPIP)**

28. The captioned projects aim to establish processes and mechanisms to enable social policy priorities identified in the Social Policy Framework (SPF) and the Social Action Plan (SAP) to be disseminated and carried forward effectively in Jamaica. The Social Action Plan focuses on the need to improve policy and implementation processes and to transform the organizational culture of public institutions to ensure they are more effective, pro-poor and listen to the public. The Projects complement the ongoing programme of public sector reform. The projects are jointly funded by the Department for International Development (DFID) through a grant of £950,000 and the Government of Jamaica (GOJ) cost sharing contribution of J\$14.87M. The audit for the period under review disclosed a generally satisfactory state of affairs, however, up to the date of this report, annual statutory returns for National Insurance and National Housing Trust for 2004 were not submitted to the relevant agencies in keeping with the law. This could adversely affect employees' entitlement to NIS and NHT benefits.

**CULTURE, HEALTH, ARTS, SPORTS & EDUCATION (CHASE) FUND**

29. A review of the financial transactions and accounting records of the captioned entity for the year under review disclosed a generally satisfactory state of affairs.

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

30. The audit of the captioned entity for the year under review revealed the following matters of concern:

(i) *Procurement Breaches*

The procurement of goods and services costing \$1,232, 311 was done without evidence that the required competitive price quotations were obtained. I was therefore unable to determine how the institution satisfied itself that the prices paid were fair and reasonable.

(ii) *Overpayments*

Seven (7) officers were overpaid salaries amounting to \$46,019 due to incorrect computation. Up to the date of this report \$10,036 had been recovered.

**HEADS 1700, 1700A AND 1700B –**  
**MINISTRY OF INDUSTRY AND TOURISM**  
**JAMAICA TOURIST BOARD**

***Accommodation of Officer***

31. Three private sector entities agreed to reimburse the cost of accommodation for one of the Board's senior officers. However, at the time of audit, one of the entities had failed to reimburse the Board for rental expenses incurred amounting to \$1,155,797. There was also no evidence that the necessary approval of the Ministry of Finance was obtained for this arrangement, neither was the value of the housing benefit subjected to Income Tax as required by the Income Tax Act.

**HEADS 2000, 2000A AND 2000B**  
**MINISTRY OF FINANCE AND PLANNING**

32. A review of the financial transactions and accounting records of the captioned Ministry for the year under review disclosed a generally satisfactory state of affairs. However, the following areas of concern were noted:

(i) *Bank Reconciliation*

The reconciliation statements for three (3) bank accounts were not properly prepared and reflected a number of long outstanding discrepancies. This undermined the effectiveness of the reconciliation process. The Ministry subsequently advised that the problem with the reconciliations was due mainly to the

computerized accounting system being used and that an appropriate system change was planned for January 2006.

(ii) *Breach of Procurement Rules*

The necessary National Contracts Commission's recommendation was not seen for a service contract awarded for US\$145,835. This represented a breach of the Government's procurement rules.

**STATISTICAL INSTITUTE OF JAMAICA**

***Audited Financial Statements***

33. Up to the date of this report there was no indication that the audited financial statements for the years 2002/2003 and 2003/2004 were submitted to Parliament as required by the Public Bodies Management and Accountability Act.

***Contractors Levy***

34. There was no indication that contractors levy amounting to \$122,804 was deducted from certain contract payments made as required by the Contractors Levy Act.

**PLANNING INSTITUTE OF JAMAICA**

***Overpayment of Salaries***

35. At the date of this report \$92,467 remained outstanding in respect of a salary overpayment. Management advised that legal action would be taken to collect this amount.

**HEAD 2011 – ACCOUNTANT GENERAL'S DEPARTMENT**

***Outstanding Financial Statements***

36. The Appropriation Account for 2004/2005 was not submitted for audit up to the date of this report. The under-mentioned financial statements required by Section 24H of the Financial Administration and Audit Act were also outstanding:-

STATEMENT	OUTSTANDING PERIOD
A CURRENT ASSETS & LIABILITIES OF THE CONSOLIDATED FUND	2004/2005
B REVENUE ACTUALLY PAID INTO THE CONSOLIDATED FUND PRINCIPAL BANK ACCOUNT AS COMPARED WITH THE ESTIMATES OF REVENUE	2003/2004
C ACTUAL EXPENDITURE FROM THE CONSOLIDATED FUND PRINCIPAL BANK ACCOUNT AS COMPARED WITH THE ESTIMATES OF EXPENDITURE	2003/2004 and 2004/2005
D THE PUBLIC DEBT OF JAMAICA	2002/2003 to 2004/2005
E ADVANCES AND LOANS FROM THE CONSOLIDATED FUND	2004/2005
G BALANCES HELD BY THE ACCOUNTANT GENERAL ON DEPOSIT AT THE END OF THE FINANCIAL YEAR AND THE OUTSTANDING ADVANCES THEREFROM	2004/2005
I OUTSTANDING LOANS OR CREDITS GUARANTEED BY THE GOVERNMENT	2001/2002 to 2004/2005

37. Despite previous recommendations that the various statements should be thoroughly checked before they are submitted for audit, the undermentioned statements presented could not be certified as they contained numerous errors and had to be returned for corrections. Up to the date of this report they had not been re-submitted.

Statement	A - 1997/1998
	B - 2000/2001 to 2002/2003
	C - 2002/2003
	G - 1997/1998
	F - 2002/2003 to 2003/2004

### ***Treasury Deposit Advances***

38. As at March 31, 2005, contrary to Section 14A of the Financial Administration and Audit Act, advances totalling \$1.89B made from Treasury Deposits were not recovered within a period not exceeding twelve months after the financial year in which the advances were made. Some of these advances had been outstanding for over six (6) years.

### ***Unauthorized Advances***

39. Transfer of funds totalling approximately \$2.2B were made between Heads of Estimates without Parliamentary approval and remained uncleared at the date of this report. This contravened Section 9 (8) of the Financial Administration and Audit Act.

### ***Outstanding Annual Returns***

40. Up to the time of my audit annual returns for tax deducted from pension payments were not filed for the year 2004. The Department was reminded of its statutory obligation to file such returns on a timely basis.

### ***Arrears of Bank Reconciliation***

41. The reconciliation of eight (8) bank accounts was in serious arrears, one for as long as thirty five (35) months. Three (3) other bank accounts had not been reconciled since they were opened apparently more than a year before my audit. Failure to properly reconcile bank accounts in a timely manner may impede the detection of errors and irregularities.

### ***Breach of Procurement Guidelines***

42. During the period under review, goods and services costing approximately \$430,000 were acquired without evidence of the required three (3) competitive price quotations. This could have denied the Government obtaining the most economical prices.

### ***Deferred Financing Projects***

43. Section 24E(5) of the Financial Administration and Audit Act provides that any payment of principal made under a deferred financing project shall be charged to a Parliamentary appropriation for the ministry having responsibility for the relevant project. However, the audit disclosed that whereas principal payments of \$1.3B on such projects were made by the Accountant General's Department during the year under review, only \$669.5M was charged against the appropriations of the three ministries involved. This not only breached the

law, but also resulted in the understatement of the expenditure of these ministries.

### ***Verification of Loan Proceeds***

44. I was unable to verify how debt obligations of approximately \$8B incurred in respect of certain debentures issued between July 2002 and January 2004 were substantiated. This difficulty was attributed to inadequate documentation and record keeping. The Accountant General was asked to provide the relevant information. She advised that steps were being taken to improve the documentation and record keeping for the public debt.

45. Three (3) external loans totalling US\$49M were accessed through certain international lending agencies between 1997 and 2002 to fund capital projects for the Government. The related loan agreements required the use of special bank accounts to facilitate the transfer of funds from the lending agencies to the respective projects. There was no indication that the use to which the funds were put was included in government's expenditure, and the necessary cash transfers made to the Consolidated Fund to satisfy the requirements of the Constitution and the Financial Administration and Audit Act. Among the effects of these omissions was the understatement of Government's loan revenues and expenditure. It was recommended that the situation be regularized.

### ***Improper Accounting for Loan Expenses***

46. The audit disclosed that US\$687,500 and Euros 2,307,500 representing loan expenses were deducted from the proceeds of two (2) loans totalling US\$125M and E175M and the net amounts lodged to the Consolidated Fund. There was no indication that amounts for the expenses were charged to expenditure and lodged to the Consolidated Fund as required by law and acceptable accounting practice. The Department was asked to have the matter rectified.

### ***Payment on Guaranteed Loans***

47. Nine (9) loans totalling J\$7.5B and US\$29.2M for the University of the West Indies, University Hospital of the West Indies and the National Water Commission were guaranteed by the Ministry of Finance and Planning by way of Letters of Undertaking issued between January 2001 and March 2004 without evidence of the necessary approval of the House of Representatives as required by the Approved Organizations and Authorities Loans (Government Guarantee) Act and the Financial Administration and Audit Act. These loans were taken over by the Government between June 2002 and August 2004 and being serviced as part of the public debt. I again recommended that there be full future compliance with the law. The Financial Secretary has given the assurance that appropriate steps have since been taken to prevent future breaches.

### ***Debt Relief***

48. The Government of Jamaica obtained relief from some loan repayments totalling £11.59M for the years 2003/2004 and 2004/2005 from the United Kingdom Government and the Commonwealth Development Corporation. Based on a directive from the Ministry of Finance and Planning the proceeds of the debts forgiven were placed in Treasury Deposits and up to the time of audit a balance of J\$1.14B remained therein. The Department was asked to explain why these funds were not repaid to the Consolidated Fund where they belong. A reply was awaited at the date of this report.

### ***Outstanding Matter***

49. Overpayments of US\$4,972 and J\$6.96M made on two (2) external loans were mentioned in my 2003/2004 annual report. Up to the date of this report there was no evidence that the issue had been satisfactorily addressed. The Department advised that it was still pursuing the matter.

## **HEAD 2012 – JAMAICA CUSTOMS**

### ***Outstanding Appropriation Account***

50. At the time of this report the Appropriation Account for the financial year 2004/2005 had not been submitted for audit as required by Section 24 I (b) of the Financial Administration and Audit Act.

### ***Security Payments***

51. An amount of \$33,600 was paid to a security company without evidence of the necessary supporting documentation being presented. This company was also overpaid \$9,262 due to incorrect calculation of hours worked.

### ***Accumulated Vacation Leave***

52. The names of thirty (30) officers who had accrued the maximum accumulable vacation leave entitlement were selected, and an enquiry conducted to determine when last they had taken such leave. This revealed that some officers had never been on vacation leave, while others had not been on leave for over twenty years. I was concerned of the possible adverse impact of the fatigue factor on performance as well as the possible negative staff development and internal control implications of officers not going on leave for such extended periods. Management was advised to correct this situation. I have since been informed that steps are being taken to deal with this situation.

### ***Purchase of Uniform Material***

53. Satisfactory information was not presented to indicate how 89 yards of uniform material costing \$17,837 were accounted for.

## **HEAD 2015 - INLAND REVENUE DEPARTMENT**

### ***Outstanding Appropriation Account***

54. The Appropriation Account for the financial year 2004/2005 was not presented for audit up to the date of this report. This contravened Section 24 I(b) of the Financial Administration and Audit Act.

### ***Payment Vouchers***

55. (i) Supporting documents for payments made on twelve expenditure vouchers involving approximately \$5.4M were not presented for audit. As a result I was unable to verify the authenticity of these transactions.
- (ii) A security company was overpaid amounts totalling \$16,373 due to an incorrect rate per hour used in the calculations. The Department was advised to recover the overpayment.

### ***Intransit Lodgements***

56. A register to track whether lodgements made by collectorates were promptly credited to the relevant Inland Revenue Department's bank account was some sixteen months in arrears at the time of audit. This prevented the proper monitoring of whether lodgements reportedly made by outstations reached their intended destination in a timely manner and could result in the loss of funds.

### ***Tax Arrears***

57. Five Collectorates disclosed arrears in the collection of GCT, Income and Property Taxes amounting to approximately \$3.28B. Management was advised to implement more effective measures to collect the amounts outstanding.

## **JAMAICA TAX ON LINE PAYMENT SYSTEM**

### ***General Comments***

58. The Jamaica Tax Online Payment System is a web based system which is intended to facilitate the payment of traffic fines, property tax, consumption taxes, betting tax, licences and fees. An audit of the system was conducted to determine whether (a) it offered a more convenient and easy way of paying taxes, (b) the revenues collected through electronic payment were secure and (c) controls existed to ensure that collections were lodged promptly and intact to the relevant bank account. The audit revealed difficulties in measuring the effectiveness of the system and verifying lodgement of revenue to the Department's bank account. The efficiency of the system was affected by system errors and the need to strengthen security and to acquire additional hardware. The following paragraphs contain a summary of the observations noted.

### ***Performance Measurement***

59. There was no evidence that the objectives of the system were clearly defined by measurable targets. I was therefore unable to determine whether the system was operating effectively, the current usage level was what was expected and whether the intended objectives of increased revenue collection and tax compliance were being achieved. Investigations revealed that only three of the six applications offered on the website were being used by taxpayers. The audit recommended that efforts should be made to document performance targets in order to allow assessment of the effectiveness of the system.

### ***Bank Statements***

60. The Inland Revenue Transaction Management System produces a 'Lodgement Detail Report' listing details of all e-payments that should be credited to the Department's bank account. However, whereas the amount on the 'Lodgement Detail Report' reflected individual credit card payments, it was not possible to ascertain the transactions to which the credits shown on the bank statements were related. Investigations also revealed that during the period December 2004 to March 2005, the 'Lodgement Detail Report' reflected \$2,089,716 as the total lodgements for the period. I was however only able to identify \$1,272,282 as having been credited to the bank account, resulting in a difference of \$817,434. The Department was unable to explain this discrepancy between the statements. I recommended that the difference be investigated and I be advised of the findings.

### ***System Errors***

61. When making a payment online the taxpayer enters his/her username and password, selects the tax type to be paid, confirms details and then pays for taxes using his/her credit card. The credit card details are validated in real time, after which a confirmation notice is printed on the screen informing the taxpayer that the transaction was successful and a reference number is given. In cases where the transactions are unsuccessful or problems exist in processing transactions, the system would so inform the taxpayer.

62. A review of the 'Customer Error Report' revealed several cases in which the system generated 'system error' or 'system busy' notification during the making of a payment which prevented the taxpayer from concluding the transaction or created doubt as to whether the transaction was successful. In some cases taxpayers repeated the transaction thereby causing duplicate payments. The audit recommended that effort should be made to determine the specific reason(s) for this system problem and have corrective action taken.

### ***Updating of Accounts***

63. Fiscal Services Limited is responsible for updating the relevant databases with all successful payments within 24 hours using the batch processing method. Investigations however, revealed that the Inland Revenue Department reported cases in which electronic payments were not being transferred to the taxpayers' accounts due to system error. A failure in the posting of transactions will lead to inaccurate taxpayer account information and an overstatement of outstanding taxes due. The audit recommended that efforts should be made to have this problem corrected early.

### ***Hardware Requirements***

64. Fiscal Services Limited (FSL) reported that the web server used for Inland Revenue Department's (Jamaica Tax Online) system was also used to provide services to other Government agencies. This adversely affected the performance efficiency of the Jamaica Tax Online website. It was explained that no further growth in the Jamaica Tax Online Service can be accommodated on the existing server due to the heavy workload. Fiscal Services Limited also indicated that plans were being made to acquire additional hardware to manage the workload more efficiently. The audit recommended that efforts should be made to accelerate the acquisition of the necessary hardware in order to improve the efficiency of the present system.

## ***Security Requirements***

65. Investigations disclosed that the network was protected by a firewall to prevent the network from attacks through the Internet. Fiscal Services Limited disclosed that the existing firewall was outdated and might not be able to adequately safeguard the system from persons using malicious scripts or codes. There was also the need for a security system to detect and prevent potential threats to the network from within the organization. Fiscal Services Limited indicated that plans were being made to acquire a more robust firewall and an Intrusion Detection System (IDS) to better protect the network from both internal and external attacks. The audit recommended the early acquisition of appropriate security systems.

## **HEAD 2041 – TAXPAYER AUDIT & ASSESSMENT DEPARTMENT**

### ***Income Tax Assessments***

66. Of one hundred and fifty (150) taxpayers who were assessed tax of \$2.57B during the period under review, fifteen (15) taxpayers' accounts were not entered on the computer system for tax totalling \$63.8M. This could delay collection of the tax due. There was also no indication of any action taken to effect collection on twenty-five (25) of the taxpayers' accounts involving \$94.9M. Up to the time of the audit only \$12.4M or 0.48% of the total assessments raised was collected.

### ***GCT Assessments***

67. One hundred and fifty-one (151) GCT assessments totalling \$534.1M made during 2004 were selected with a view to ascertaining whether they were posted to taxpayers' accounts and the respective amounts collected. Although approximately 90% of these assessments totalling \$482M were posted to the Department's computer system, no collection was seen with respect to \$330.2M neither was any evidence presented of efforts made to collect this amount. The accounts of eleven (11) taxpayers totalling \$52M were not yet posted to the system. The Departments involved were encouraged to post the remaining assessments and to rigorously pursue the collection of the outstanding amounts.

### ***GCT Returns***

68. Errors identified in the computation of GCT resulted in 2 taxpayers being under assessed tax due totalling \$126,616. The Department was advised to make the necessary adjustments.

### ***Tax Collection***

69. Information obtained from the Ministry of Finance & Planning reflected that GCT collections for the year ended March 31, 2005 amounted to \$41.97B. This was a 1.32% shortfall of the amount budgeted. For the same period Income Tax collections were \$62.87B, which reflected a shortfall of 4.83% of the target.

## **STAMP DUTY AND TRANSFER TAX**

### ***Estates***

70. To test whether the transfer tax payable on estates of deceased persons was correctly calculated, eight-six (86) files were requested. However up to the date of this report nineteen (19) files were not received, preventing verification of the tax due in these cases. The Department was advised to locate and present these files for audit as early as possible.

### ***Bank Reconciliation***

71. The reconciliation statements of the Deposit and Revenue bank accounts as at August 31, 2005 revealed many discrepancies which remained unresolved for protracted periods. It was recommended that these differences be investigated and corrected at an early date to avoid the possibility of losses.

### ***Stamping Impressions***

72. A test check of the daily reconciliation of stamping impressions done with amounts collected revealed four (4) instances of unexplained differences totalling \$18,254. The Department was asked for an explanation.

### ***Overpayment of Salaries***

73. A test check of salaries paid at the Taxpayer Audit and Assessment Department revealed that overpayments totalling \$138,263 were made to eleven (11) officers. These resulted from errors in calculation and inadequate communication between the Personnel and Salaries Sections. It was recommended that relevant information be communicated in a more timely manner; and that steps be taken to recover the amounts overpaid.

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

***Outstanding Accounts***

74. The Appropriation Accounts for 2004/2005 had not been received for audit up to the date of this report. Failure to submit the Accounts within four months of the end of the financial year constitutes a breach of the Financial Administration and Audit Act.

***Losses and Irregularities***

75. An amount of US\$8,267 (J\$508,420) was reported stolen from an officer's car while he was attending a course in Canada. The Ministry of Finance and Planning determined that the loss was due to the negligence of the officer and instructed that he should repay US\$3,100.00 (J\$190,650). Up to the date of this report J\$31,776 had been recovered.

**JAMAICA DEFENCE FORCE**

***Overpayments***

76. The audit of salaries disclosed overpayments totalling \$83,143 to five (5) officers. Management was advised to effect recovery and improve the system of internal check over the preparation and payment of salaries.

**IMMIGRATION AND PASSPORT OFFICE**

***Internal Control Weaknesses***

77. There were continued inadequacies in the maintenance of the value book and receipt book register. There was also need for better control over the use of the telephones and for more effective independent check of some records. Corrective measures were recommended to address these concerns.

***Cash Receipts***

78. Application forms and the respective copy receipts were not presented to facilitate verification of amounts collected for six (6) passports which were issued. Several instances of serious delays in the lodgement of cash received were also noted. The Ministry was asked for an explanation.

### ***Passports Not Accounted For***

79. I was unable to determine how 7 passports were accounted for. The Department was asked to provide this information.

## **HEAD 2622 – POLICE DEPARTMENT**

### ***Outstanding Appropriation Account***

80. The Appropriation Account for the financial year 2004/2005 was not received for examination up to the date of this report.

### ***Inadequate Stock Control***

81. At the time of audit, goods purchased for approximately \$3.55M were not posted to the stock records. These records bore no evidence of being periodically checked by an officer independent of the storekeeper, and the stores related duties were not adequately segregated. These deficiencies could result in errors and irregularities going undetected. It was recommended that early corrective measures be instituted.

### ***Breaches of Procurement Procedures***

82. There was no evidence that the required competitive price quotations were obtained or that the Procurement Committee was involved in the selection of suppliers for purchases totalling approximately \$4.95M. This breached the Government's procurement guidelines aimed at ensuring economy in the use of public funds.

### ***Arrears of Bank Reconciliation***

83. Reconciliation of three of the Department's salaries bank accounts was several months in arrears. The Department was advised to bring the reconciliation up to date at the earliest possible time as failure to do so could conceal errors and irregularities.

### ***Salary Overpayments***

84. Seven (7) officers were overpaid salaries totalling \$1,406,810 of which \$89,760 had been recovered. It was recommended that the remainder of the overpayments be recovered as early as possible.

### ***Suspected Irregularities***

85. During the period under review internal auditors from the Ministry of Justice reported a case of suspected irregularity involving \$436,000. The money was collected at the Family Court for DNA tests ordered and sent to the Police Department to be lodged but was instead misappropriated. The officer implicated was criminally charged, pleaded guilty in court and up to the date of this report was said to have made restitution of \$287,000.

## **EMERGENCY TRAFFIC TICKET SOLUTION**

### ***General Comment***

86. An audit of the Emergency Traffic Ticketing Solution system for the management and issuing of traffic tickets was conducted to determine whether tickets issued were recorded in a timely manner, fines paid were recorded promptly and properly matched against tickets issued, whether the system produced a reliable delinquency report, and whether this report was effectively used as a management tool for enforcement action. The audit revealed control weaknesses in posting of tickets and the payment of fines, inability of the system to generate an accurate list of delinquent offenders, difficulty in verifying whether the correct amounts were being paid by users of the e-payment system, and the lack of a comprehensive central database of all traffic ticketing information. The following paragraphs contain a summary of the observations noted.

### ***Posting of Traffic Tickets***

87. An objective of the system is to have all traffic tickets issued posted to the computer system within 72 hours of issue. Investigation disclosed that the system was not generating a report to facilitate verification of the extent to which this requirement was being met. It was observed that a report writer software was purchased to produce this and other reports, however, the staff were apparently not sufficiently trained to use this software. I recommended that the appropriate training should be provided to the relevant staff as early as possible.

### ***Recording of Payments***

88. Investigations revealed that traffic fines paid at Collectorates and by the virtual system (e-payment) were posted to the computerized ticket system. There was however no system in place to facilitate the timely posting of fines paid at the courts offices to the computer. The system was therefore unable to generate a reliable report showing the total payments made by offenders for any given period. The audit recommended that efforts should be made to ensure that

all payments by traffic offenders are posted to the computerized system in a timely manner.

### ***Court Information***

89. The Area 4 (Kingston, St. Andrew and St. Thomas) traffic headquarters used information from copies of the traffic tickets obtained from the Collectorates to inform the courts of offenders who had paid their fines and therefore need not attend court. Investigations however, disclosed that the names of offenders who paid by e-payment were not so submitted. This may result in bench warrants being issued for the arrest of such persons although the required fines were duly paid. It was also observed that the traffic headquarters was not advised of the results of cases at the traffic courts and therefore demerit points were not being assigned to such offenders. I recommended that the necessary steps be taken to ensure that the information submitted to the courts offices includes the names of offenders who pay by e-payment and also arrangement should be made to obtain and post the results of all cases at the traffic court to the system.

### ***Management Reports***

90. My investigation revealed that the system was not identifying and generating a listing of all delinquent offenders. In addition, it was not producing a status report for each offender indicating the number of tickets received, fines paid and outstanding fines (if any) as well as the number of demerit points accumulated so that the appropriate disciplinary action may be taken. The absence of such pertinent information deprived management of the ability to make informed decisions and may also allow delinquent offenders to go unpunished. The audit recommended that efforts should be made to enhance the capability of the present software to produce the above-mentioned information. I was subsequently advised that work was being done to improve the management reporting capabilities of the system.

### ***Offence Code***

91. The electronic payment system is designed for offenders to enter on the system such details on the traffic ticket such as name of offender, offence code, ticket number, and motor vehicle licence number. The computer then determines the amount to be paid by the offence code entered by the offenders. Investigations revealed that in the event that the offender entered the incorrect offence code, the system would indicate the related fine for the code entered. The system acknowledges payment by matching the name of the offender and ticket number and when such a match is found the ticket issued is noted as paid. The above-mentioned weakness could allow persons with knowledge of the system to abuse it by entering an offence code which attracts a smaller fine. It was therefore difficult to determine whether the correct offence was paid for as there was no evidence that any form of verification of offence code was

undertaken. The audit recommended that the appropriate steps be taken to correct this deficiency.

### ***Information sharing***

92. Cabinet Decision dated 26/05/03 stated that the Network Architecture to be implemented at each Police Area Headquarters (HQs) should be equipped with software and hardware that would enable all the Area HQs computers to be connected to the JCF Wide Area Network (WAN). However, investigations disclosed that the existing traffic ticketing system was not so connected and therefore does not have the ability to capture all the information posted to the various computers at the regional police traffic headquarters in a central database. The lack of such connectivity prevented the sharing of pertinent information between regional headquarters and the production of a comprehensive status report on traffic offences on an islandwide basis. The audit recommended that the necessary steps be taken to ensure that the network architecture be enhanced so that the stated objectives of the system can be achieved. The Ministry responded that this problem was being addressed as a major priority.

## **ELECTORAL OFFICE OF JAMAICA**

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

(i) *Outstanding Financial Statements*

Financial Statements for 2003/2004 and 2004/2005 were not presented for examination up to the time of this report. This prevented a proper assessment of the Office's financial state of affairs.

(ii) *Internal Control Weaknesses*

Weaknesses were observed in the controls exercised over the stores, and the use of the telephones. It was recommended that steps be taken to address these inadequacies promptly as they could expose the Office to losses.

(iii) *Bank Reconciliation*

At the time of audit reconciliation of four bank accounts was several months in arrears. Failure to reconcile these accounts in a timely manner could conceal errors and irregularities.

(iv) *Fuel Advance Cards*

Receipts for petrol acquired were not presented and vehicle registration numbers were not stated to allow verification of the authenticity of transactions costing \$49,319.

(v) *Incorrect Salary Payments*

The required approval of the Ministry of Finance and Planning was not presented for the payment of an allowance of \$297,330 and salary of \$180,559 in excess of the approved rate to two officers. This breached the Public Bodies Management and Accountability Act and constituted unauthorized expenditure.

(vi) *Contract Breaches*

(a) There was no evidence that the required Cabinet approval was obtained for a procurement contract valued at \$16.5M.

(b) Payments totalling \$5,203,143 were made to a security company during the period under review, however, there was no indication that the company had been selected on a competitive basis as stipulated by the Government's Procurement Guidelines.

**POLICE PUBLIC COMPLAINTS AUTHORITY**

94. An examination of the captioned entity for 2004/2005 disclosed a generally satisfactory state of affairs.

**PRIVATE SECURITY REGULATION AUTHORITY**

95. An audit of the captioned entity for 2004/05 disclosed a generally satisfactory state of affairs.

## **HEAD 2624 – DEPARTMENT OF CORRECTIONAL SERVICES**

96. The audit of the financial transactions and accounting records of the captioned Department for the year under review revealed the following shortcomings:

(i) *Internal Control Weaknesses*

There was need for improvements in the record keeping for departmental deposits and the control exercised over the operation of motor vehicles.

(ii) *Outstanding Appropriation Account*

The Appropriation Account for 2004/2005 had not been submitted for audit up to the date of this report. This contravened Section 24i (b) of the Financial Administration and Audit Act which requires submission of Appropriation Accounts within four months after the end of each financial year.

(iii) *Advances*

At the date of this report the accounts reflected uncleared advances made by the Department totalling \$4,560,483 which included amounts carried forward from previous financial years. Failure to promptly clear advances could prevent public funds from being properly accounted for.

## **HEAD 2800 – MINISTRY OF JUSTICE**

### ***Accounting Arrears***

97. Up to the date of this report the Appropriation Accounts for the Ministry and its Departments for 2003/2004 and 2004/2005 had not been submitted for audit.

### ***Contract Payments***

98. Examination of six (6) contracts valued at approximately \$15.494M for the repair of courthouses disclosed the following shortcomings:-

- (i) Satisfactory documentary evidence was not produced to indicate that the prescribed advertisements were placed to invite proposals from prospective contractors before contracts were awarded.
- (ii) The audit was unable to determine whether these contracts were completed within the stipulated time frame as the actual commencement and completion dates were not recorded.
- (iii) There was no evidence that variations to the original scope of work were properly approved before implementation while some contracts were not formally awarded or signed before work actually commenced.
- (iv) The required 10% retention money was only deducted from payments for roof repairs instead of all payments made for work certified.

The Ministry subsequently advised that steps were being taken to improve the contract award and management processes.

### **RESIDENT MAGISTRATES' COURTS**

99. Audit of the financial transactions and accounting records of six Court Offices for the year under review disclosed the under-mentioned inadequacies:

(i) *Accounting Problems*

There was need for improvement in the level of internal check; maintenance of cash books, value books, receipt book registers, and the blank cheques records; and control over the use of telephones. These weaknesses could result in the loss of public funds. The Ministry advised that training had been provided to Court Administrators and Accountants with a view to improving the situation.

(ii) *Bank Reconciliations*

The bank reconciliation statements disclosed numerous unresolved discrepancies some dating from as far back as 1989. The Ministry was advised to have these matters rectified at an early date.

(iii) *Outstanding Lodgements*

At the time of audit there was no indication that three amounts totalling \$696,300 for fines collected and lodged by the Kingston Traffic Court between December 2004 and March 2005 had been credited to the relevant Ministry's bank account. The Ministry was asked to investigate the matter to ensure that the amounts are properly accounted for.

(iv) *Warrants and Commitments*

A total of 579 outstanding warrants of Distringas and Capias for violation of bail bonds and 428 outstanding commitments involving approximately \$13.9M and \$2.796M, respectively, for the period April 2003 to July 2005 were noted. It was also observed that warrants were often not issued promptly and in many instances persons who stood surety for bail turned out to be unknown at the addresses given. It appeared that greater care needs to be exercised to ensure that the requirements of the Bail Act are strictly adhered to. Failure to execute these warrants and carry out the order of the Court could subvert the course of justice and allow perpetrators to go unpunished. The Ministry was advised to institute appropriate corrective measures.

**HEAD 2830 – ADMINISTRATOR GENERAL'S DEPARTMENT**

100. The audit of the financial transactions and accounting records of the captioned entity for the year under review disclosed the under mentioned areas of concern:

(i) *Unsupported Payments*

The required supporting documents were not presented for three (3) payments for \$50,762. The authenticity of these payments could therefore not be verified.

(ii) *Tax on Private Use of Assigned Government Vehicle*

An officer was provided with a fully maintained motor vehicle. However, Income Tax amounting to \$90,000 for private use of the vehicle was not deducted from the officer's emoluments as required by law. The Department subsequently advised that recovery had commenced.

(iii) *Overpayment of Salaries*

Eleven (11) employees were overpaid salaries totalling \$92,044, of which \$21,870 had been recovered up to the date of this report.

**HEAD 2832 – TRUSTEE IN BANKRUPTCY**

101. The audit of the accounting records and financial transactions of the captioned Department for the year 2004/2005 revealed a generally satisfactory state of affairs.

**HEAD 3000 –  
MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE**

102. The audit of the financial transactions and accounting records of the captioned Ministry for 2004/2005 disclosed the following areas of concern:

(i) *Outstanding Accounts*

Up to the date of this report the Appropriation Accounts for the financial years 2003/2004 and 2004/2005 had not been received for audit. Critical to the preparation of these accounts is the expenditure information for the various overseas Missions which represent approximately 60% of the Ministry's budget. However, up to the time of reporting, the submission of information and accounting statements for some of these Missions was in arrears for up to twenty-eight months. The Ministry explained that the main contributory factor to this situation was the shortage of staff and it was taking steps to address the problem.

(ii) *Overpayments*

Six (6) officers were overpaid salaries amounting to \$22,965. The Ministry was advised to effect recovery and to strengthen the internal check over the preparation of salaries.

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

***Outstanding Appropriation Accounts***

103. Up to the date of this report the Appropriation Accounts for 2004/2005 had not been received for audit.

***PATH Programme***

104. In an attempt to assess beneficiary payments under the PATH Programme, 200 of the related files were requested for examination. The objectives of the audit included determining whether persons receiving benefits met the qualifying criteria and cheques were paid to the bona fide payees. However, up to the date of this report only one hundred and forty-six (146) of the files were presented. I was therefore unable to make a proper assessment as to whether the payments made to 54 of the beneficiaries met the stated objectives.

***Rehabilitation Grants***

105. A test check of payments made under the captioned programme was conducted with the main objectives of ascertaining whether beneficiaries met the qualifying criteria; if payments made were used for the intended purposes, whether specific project objectives were met and to determine whether payments were made to bona fide payees. I was unable to conclude the audit as 16 of the 50 files requested for examination were not submitted.

***NATIONAL INSURANCE SCHEME***

***Engagement of Consultant***

106. There was no evidence that a formal agreement was executed for the engagement of a consultant who was paid amounts totalling \$2.8M between December 2003 and July 2004 for implementing a computerized system for the Revision of the Pension Payment System.

***Outstanding NIS Contributions***

107. Information submitted by the NIS Office on non-compliant employers in five (5) parishes disclosed that \$456.9M was owed for NIS contributions by 703 employers in respect of the years 1996-2004. Failure of employers to remit the outstanding amounts could adversely affect employees' entitlement to certain benefits.

### ***Advance Accounts***

108. The audit disclosed that at 28<sup>th</sup> February, 2005 there were uncleared advances totalling over \$4B which were made to the Post and Telecommunications Department to effect pension payments. It was recommended that the Ministry implement a proper system to clear the advances in a timely manner so that the proper charges may be made to expenditure.

### ***Pension Payments***

109. In an attempt to examine pension benefits disbursed under the National Insurance Scheme, ninety-four (94) files were requested. The objectives of the audit included determining whether persons receiving benefits met the qualifying criteria and that cheques were paid to the bona fide payees. Up to the date of this report, thirty-two (32) of the files were not presented. This prevented a conclusion of the audit.

## **CANADIAN FARMWORK PROGRAMME**

110. The audit of the captioned programme for 2004/2005 disclosed the following areas of concern:

(i) *Matters Relating to the Programme's Management Committee*

The minutes of a Management Committee meeting held on March 30, 2005 indicated that the under-mentioned decisions were taken:

- a) Payment of an honorarium to retiring board members on terms similar to that which prevailed in the US Farm Work Programme.
- b) The Secretary to the Committee should be a committee member.
- c) Fees paid to committee members should be the same as obtained in the US Programme.

I advised the Chairman and members of the Committee that matters relating to committee members should properly be approved by the Cabinet which had established the Committee.

(ii) *Exgratia Payment*

In August 2004 an exgratia payment of US\$2,500 was made to a seriously ill former employee of the programme. This was approved by the Chairman of the Managing Committee on the recommendation of a Director in the Ministry of Labour & Social Security. The making of exgratia payments is a discretionary matter which, in my opinion, should be made only with the specific approval of the Committee or in keeping with a policy approved by it. The Chairman of the Committee was asked to advise whether a clear Committee policy existed for such payments, and if so, what is it? If not, the matter should be referred to the Committee for the agreement of a policy. I was subsequently advised that the Committee had since approved a policy.

(iii) *Purchase of a Computer*

In February, 2005 a DELL computer was purchased for C\$2,024 on behalf of the Ministry of Labour and Social Security. Up to the date of this report the item had not been appropriately marked or taken on inventory.

(iv) *Apparently High Air fares*

In September 2004 C\$18,180 (J\$829,148) was paid to the Ministry of Labour and Social Security for transmittal to a travel agency to cover air fares for nine (9) officers to travel from Kingston to Toronto and back (five (5) first class and four (4) economy). The related fares of J\$115,081 for first class and J\$63,435.75 for economy appeared unusually high. This conclusion was supported by enquiry made of other travel agencies. There was no evidence that the three competitive price quotations, which I had previously recommended should be obtained in such circumstances, were received. I was therefore unable to ascertain how the Ministry satisfied itself that it had received the best value for money in this transaction.

**PROGRAMME OF ADVANCEMENT**  
**THROUGH HEALTH AND EDUCATION (PATH)**  
**GOJ/IBRD LOAN NO. 7076JM**

111. 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 year under review disclosed a generally satisfactory state of affairs except for the observations mentioned below:

(i) *Inadequate Fixed Assets Control*

The control exercised over furniture and equipment was inadequate as the stipulated inventory records were not being maintained and items of furniture and equipment were not appropriately marked. The management was reminded that these weaknesses could result in losses or misuse of the Programme's assets and should be corrected.

(ii) *Overpayments*

Three (3) officers were overpaid salaries totalling \$59,019 due to errors in computation. The Programme's Management was advised to effect recovery.

(iii) *Outstanding Advances*

Up to the date of this report net uncleared advances totalling \$166,000 remained outstanding for more than one (1) year. The management was advised to take urgent steps to clear or recover the outstanding amounts.

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

**112. *Teachers' Salaries***

(i) Thirteen (13) teachers were overpaid emoluments totalling \$1,336,027 due mainly to a lack of timely communication of information from the regional offices. The Ministry was advised to take steps to recover the overpayments and improve the communication system. Up to the date of this report \$103,341 had been recovered.

(ii) Personal files for fifty-seven (57) teachers and evidence of qualification and other relevant documents for another one hundred and thirty-two (132) teachers were not produced for audit. I was therefore unable to satisfactorily conclude the audit.

- (iii) A sample audit disclosed that personal deductions from salaries totalling \$4.1M were wrongly paid on behalf of teachers whose net salary cheques were cancelled, as they were not entitled to the payments. This amount should be recovered.
- (iv) The controls over the payroll process needed improvement as duties were inadequately segregated, the required computer edit run reports were not prepared and approximately 100 cheques were paid without either the required acknowledgment of the recipients or written authority from the payees.
- (v) Employer's contribution to the National Insurance Scheme totalling \$321.8M for the period July 2003 to June 2005 had not been remitted to the relevant collecting agencies in contravention of the related Act. The Ministry explained that this was due to under-funding of its budget after the level of contribution was increased in October 2003.
- (vi) A sample check revealed that as at September 2004, one hundred and sixty-five (165) former teachers had breached their training bond agreements and as a result owed salary and interest charges totalling \$71.5M. There was no evidence that effective efforts were being made to recover the outstanding amounts.

### ***Breaches of Procurement Procedures***

113. Six (6) instances were noted in which the procurement of goods and services costing \$74.2M was done without evidence of compliance with the Government's procurement rules.

### ***Breaches of the Payment Procedures***

114. There was need for improvement in the disbursement process as adequate supporting documents were not presented to substantiate expenditure amounting to \$218,691. In several instances vouchers were either not cancelled as required to prevent reuse or signed by the authorising and certifying officers. Two payment vouchers for \$73,627 were not presented for audit.

### ***Non-payment of Taxes***

115. Up to the date of this report only \$73,625 of the \$332,125 Income Tax payable on fees paid to board members of the Teachers Services Commission and to teachers for reviewing textbooks had been collected.

### ***Schools' Audits***

116. A review of the extent to which Boards of Management of publicly funded educational institutions had complied with the requirements of Section 89 (1d) of the Education Regulation in submitting annual audited financial statements showed no evidence that ninety-nine (99) of the listed schools had ever submitted audited financial statements. In September 2005 the Ministry sent another reminder to Board Chairmen of schools and institutions of the need for up to date audited financial statements.

### ***Bank Reconciliation***

117. The reconciliation statements for eleven (11) bank accounts disclosed numerous unresolved discrepancies including erroneous debits of \$1.89M made by banks for prolonged periods. The Ministry was advised to rigorously pursue these matters to safeguard against possible loss of public funds.

### ***Deferred Financing Projects***

118. The Financial Administration and Audit Act requires that the principal sum paid for deferred financing agreements should be appropriated as expenditure for the Ministry having portfolio responsibility for the relevant projects. Principal payments of \$508.3M were made for two of the Ministry's projects but only \$74.5M was charged against the Ministry's voted expenditure. This resulted in an understatement of the Ministry's expenditure by \$433.8M and breach of the Act.

### ***Procurement of Land***

119. The Ministry entered into two (2) sales agreements with the Urban Development Corporation to purchase lands for the erection of two primary schools. Failure of the Ministry to promptly pay over the full purchase price as agreed, resulted in the vendor enforcing a term of the agreements by charging interest of 27% per annum on the outstanding balances. As at March 31, 2005, interest charges owing by the Ministry totalled \$11,465,966.

## **PORTMORE COMMUNITY COLLEGE**

120. The audit of the captioned College disclosed the following weaknesses:

(i) *Outstanding Financial Statements*

Up to the time of this report the audited financial statements for the Cost Sharing, Subvention and Private Accounts for 2002/2003 and

2003/2004 had not been submitted to the Ministry as required by the Education Regulations. The Ministry subsequently advised that these statements were completed and awaiting ratification of a new Board to be appointed.

(ii) *Overpayment of Salaries*

An officer was overpaid emoluments of \$72,847. Up to the date of this report \$33,000 of this amount had been recovered.

(iii) *Inadequate Payment Procedures*

Adequate supporting documents were not presented to substantiate expenditure totalling \$177,567 and several payment vouchers bore no evidence of the required authorisation and certification. Payments totalling \$591,072 were made without appropriate certification that goods purchased were received in good condition or that services were satisfactorily performed. As a result the authenticity of these payments could not be verified.

(iv) *Contractors Levy*

There was no indication that Contractors Levy of \$33,829 was deducted from payments made to a contractor and remitted to the relevant collecting agency as required by the relevant Act.

(v) *Unauthorized Bank Overdrafts*

The College incurred bank charges totalling \$84,000 on unauthorized overdrafts in respect of three (3) current accounts. Management was advised to institute appropriate steps to prevent any recurrence.

### **EXCELSIOR COMMUNITY COLLEGE**

121. The audit of the captioned College disclosed the following areas of concern:

(i) *Outstanding Financial Statements*

Up to the time of this report the audited financial statements for the Cost Sharing, Subvention and Private Accounts for the financial

year 2003/2004 had not been submitted to the Ministry as required by the Education Regulations.

(ii) *Overpayment of Salary*

Two (2) officers were overpaid emoluments amounting to \$136,440 as a result of the incorrect payment of qualification and seniority allowances.

(iii) *Breach of Payment Procedures*

Payments totalling \$3.4M were made without appropriate certification that goods purchased were received in good condition or that services were satisfactorily performed. It was also noted that payments totalling \$5M were not supported by original invoices as required. These weaknesses could result in erroneous or duplicated payments.

(iv) *Breach of Procurement Procedures*

The procurement of goods and services costing \$3,685,085 was done without evidence that the required competitive price quotations were obtained. In addition, there was no evidence that contractors' levy amounting to \$73,015 which was deducted from contract payments made was remitted to the Commissioner of Inland Revenue as required by law.

(v) *Fixed Asset Inventory*

The College did not maintain the required fixed assets control records and this could undermine the College's ability to properly account for and safeguard its assets.

**ENHANCEMENT OF BASIC SCHOOLS PROJECT**  
**GOJ/CDB NO. 13/SRF-OR-JAM**

122. The captioned Project aims to enhance the quality of learning and development of children up to six (6) years of age. It plans to attain its objectives through the development of model learning environments, strengthening institutional capacity, qualitative improvement which encompasses the training of early childhood education workers for certification, and public education. The Project is jointly funded by the Caribbean Development Bank (CDB) through a grant of US\$13.383M and the Government of Jamaica (GOJ) cost sharing contribution of US\$2.46M. The audit of the financial transactions and accounting

records for the period under review disclosed a generally satisfactory state of affairs. However, there was a long delay in the commencement of the Project and the pace of implementation of planned activities has been slow. Reduction in budgetary allocation and under funding are some of the factors which impeded the achievement of the physical targets for the period under review.

### **THE APPRENTICESHIP BOARD**

123. An audit of the captioned entity for 2004/2005 disclosed that its operations were being undertaken by the Enterprise Based Training Division of the HEART Trust N.T.A. However, the only signatories to the Board's bank account are the former chairman and secretary of the now defunct board of directors. I recommended that the matter be regularized.

### **COUNCIL OF COMMUNITY COLLEGES OF JAMAICA**

124. An audit of the captioned entity for 2004/2005 disclosed a generally satisfactory state of affairs, however, there were weaknesses in the maintenance of the fixed assets records which could compromise the control of its assets.

### **JAMAICA CULTURAL DEVELOPMENT COMMISSION**

125. The audit of the captioned Commission's financial records for the year under review disclosed the following unsatisfactory findings:

(i) *Non-submission of Audited Financial Statements*

Up to the date of this report there was no indication that audited financial statements for the years 1999/2000 to 2003/2004 were submitted to Parliament as required by Section 3 of the Public Bodies Management and Accountability Act.

(ii) *Emoluments*

(a) There were arrears of \$15.35M in the payment of Income Tax and Education Tax deducted from employees' emoluments.

(b) Two (2) officers including a former employee, were overpaid salaries totalling \$78,388.

- (c) The necessary Ministry of Finance approval was not seen for payment of travelling allowances to various levels of staff.
  - (d) The required salary control record was not maintained and there was inadequate segregation of duties in the preparation of salaries; thereby undermining the control over the payroll system.
- (iii) *Overdraft Charges*

The Commission incurred bank overdraft charges totalling \$245,597 for the financial year under review without evidence that the necessary prior approval of the Ministry of Finance and Planning to incur the related overdrafts had been obtained.

- (iv) *Motor Vehicle Management*

The supporting receipts for charges totalling \$20,893 in respect of fuel purchased for one of the Commission's vehicles were not presented. The stipulated operational efficiency record to allow assessment of the economic performance of the fleet vehicles was also not maintained.

### **JAMAICA LIBRARY SERVICE**

126. An examination of the assets and records of the captioned entity for 2004/2005 disclosed a generally satisfactory state of affairs. However, the approval of the Ministry of Finance was not obtained for a staff loan/advances policy in operation at the Library Service.

### **JAMAICA NATIONAL HERITAGE TRUST**

127. An audit of the financial transactions of the captioned entity for 2004/2005 disclosed a generally satisfactory state of affairs. However, improvements were needed in the control of fixed assets, and up to the date of this report the annual financial statements for the years 2001/2002 to 2004/2005 had not been submitted for audit as required by Section 8 of the National Heritage Trust Act. This prevented a proper assessment of the Trust's financial operations and state of affairs.

## **NATIONAL LIBRARY OF JAMAICA**

128. The audit of the captioned entity for the financial year under review disclosed no evidence that the required competitive pricing process was used in the procurement of goods and services as stipulated by the Government's procurement guidelines. The necessary Ministry of Finance and Planning's approval was also not presented for the payment of overseas per diem of US\$3,610 in respect of overseas travelling.

## **NATIONAL YOUTH SERVICE**

129. The audit of the accounting records and financial transactions of the National Youth Service for the period under review disclosed the following unsatisfactory features:

(i) *Outstanding Financial Statements*

The annual financial statements for 2004/2005 were not presented for audit up to the date of this report.

(ii) *Overpayments*

Three former officers and ten lecturers were overpaid salaries and fees amounting to \$42,500. Of this amount \$15,462 had been recovered up to the date of this report.

(iii) *Unauthorized adjustments to the establishment*

Two posts were added to the staff establishment without the required approval from the Ministry of Finance. The entity has since written to the Ministry for retroactive approval.

(iv) *Internal Control Weaknesses*

There was need for more effective control over the use of the telephones, the disbursement process and fixed assets.

**HEADS 4200, 4200A & 4200B –**  
**MINISTRY OF HEALTH**

***Outstanding Appropriation Accounts***

130. Up to the date of this report the Appropriation Accounts for 2004/2005 had not been received for audit.

**EMERGENCY DISASTER MANAGEMENT AND SPECIAL**  
**SERVICES UNIT**

***Engagement of Consultants***

131. There was no evidence that a competitive process was used to engage a consultant who was paid amounts totalling \$1,788,889. There was also no indication that the required statutory deductions were made from these payments.

***Inadequate Assets Control***

132. There was need for improvements in the controls exercised over fixed assets and stores.

**THE PESTICIDES CONTROL AUTHORITY**

133. The audit of the captioned Authority for 2004/2005 disclosed that the financial transactions and accounting records were generally satisfactory.

**HEALTH CORPORATION LIMITED**

***Losses and Irregularities***

134. The Corporation's Internal Auditor reported the following losses:

- (i) Loss of stock during the period July 2004 to April 2005 due to flooding of its warehouse costing \$6,381,816. The stock was partially insured.

- (ii) Several inventory items valued at \$48,524 were discovered missing from the warehouse. The incident was reported to the police.

### ***Breach of Procurement Procedures***

135. A cheque for \$5,717,524 was paid to a local agent in November 2002 to purchase equipment from an overseas supplier for the Bustamante Hospital for Children. At the time of audit the equipment was not delivered and attempts made by the Ministry to contact the payee had been unsuccessful and information was received that the company was out of business. The matter was referred to the Director of Public Prosecution for the possible pursuit of legal proceedings.

## **NATIONAL FAMILY PLANNING BOARD**

136. The audit of the captioned agency for the year under review revealed the following concerns:

- (i) *Investments*

The Board held investments of \$127M in two (2) financial institutions over a protracted period, indicating that in recent years it was substantially over-funded. The Ministry was advised to better rationalize the allocation of its scarce resources.

- (ii) *Internal Control Weaknesses*

Certain weaknesses in the control of fixed assets were noted.

## **REGIONAL HEALTH AUTHORITIES**

### ***Outstanding Financial Statements***

137. At the time of audit the last audited annual financial statements presented for the four Regional Health Authorities were for the year ended June 30, 2000, five years in arrears. This breached the Public Bodies Management and Accountability Act and prevented a proper assessment of the Authorities' financial state of affairs. I was subsequently informed that the audit of the statements of the Southern Regional Authority for 2000/2001 had since been completed.

### ***Qualified Audit Report***

138. The auditors appointed by the South East Regional Health Authority qualified their report on the financial statements for the year ended June 30, 2000 because of the inability to verify the accounts receivables, inventories and subvention received .

### ***Non-Remittance of Statutory Deductions***

139. Statutory deductions from employees' emoluments totalling approximately \$977.8M as detailed below were not 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 Authorities to possible legal sanctions but could also adversely affect employees' entitlement to certain benefits.

<b><u>Regional Authority</u></b>	<b><u>Amount</u></b>
	\$
South East	417,085,433
Western	80,400,954
Southern	444,790,910
North East	<u>35,699,650</u>
<b><i>Total</i></b>	<b><u>977,876,947</u></b>

### ***Contract Award Breach***

140. A contract valued \$19,312,895 was awarded in 2003 by the North East Regional Health Authority to a contractor for the renovation and expansion of the male ward at the St. Ann's Bay Hospital. The contract was awarded to the lowest tenderer although a technical assessment team recommended otherwise because of a number of concerns with the bid including failure to provide evidence of the firm's financial position. There was no indication that the required recommendation of the National Contracts Commission and Cabinet approval had been obtained. The extended completion date of the contract was March 16, 2005, but at the time of my audit in August 2005 the work was incomplete and had stalled. The project managers complained that the contractor had failed to proceed regularly and diligently with the job, was in default of the contract and liable to the imposition of liquidated and ascertained damages of \$5,000 per day. Payments of \$10M had so far been made on the contract but there was no evidence that any damages had yet been imposed on the contractor. I was subsequently advised that the work had re-commenced and was expected to be completed by the end of February 2006. The Ministry also advised that liquidated damages of approximately \$1M would be recovered.

### ***Furniture and Equipment Inventories***

141. Contrary to the Ministry of Finance and Planning guidelines, the required furniture and equipment records were either not maintained or not satisfactorily maintained at several health facilities visited in the North East and the South East Regions. Several assets at these facilities bore no identification marks as required by the Financial Instructions. These deficiencies weakened management's control over such assets.

### ***Inadequate Control of Telephones***

142. At the North East Regional Health Authority weaknesses were observed in the control over the use of the telephones at the various health facilities. The records at the St. Ann's Bay Hospital showed no indication that the cost of private calls totalling \$167,447 made during the period December 2003 to July 2005 had been recovered.

### ***Losses and Irregularities***

143. The Western Regional Health Authority's Internal Auditors reported suspected irregularities in the Payroll Department which resulted in losses totalling \$3,352,357 and the following additional losses were incurred due to break-ins at health facilities:

Cash missing	\$156,311.00
Cost of stolen stock	170,224.53
Cost of equipment stolen	<u>237,581.00</u>
<b>Total</b>	<b>\$564,116.53</b>

These were reported to the police.

### **HEAD 4234 – BELLEVUE HOSPITAL**

144. The audit of Bellevue Hospital for the year under review disclosed the following unsatisfactory features:

(i) *Outstanding Appropriation Account*

Up to the date of this report, the Appropriation Account for 2004/2005 had not been received for audit.

(ii) *Bank Reconciliation*

The bank reconciliation statements of the Hospital's three bank accounts disclosed several unresolved discrepancies for protracted periods, while the reconciliation of one of the accounts was in serious arrears. The hospital was reminded that failure to resolve these outstanding issues with the banks and to keep the reconciliation up to date could lead to the loss of public funds.

(iii) *Expenditure Vouchers*

Suppliers invoices were not presented for payments totalling \$52,400 and it was therefore difficult to verify their authenticity.

### **CHILD DEVELOPMENT AGENCY**

145. An audit of the captioned agency for the period under review revealed the following areas of concern:

(i) *Security Services*

Copies of contracts to provide security services at various children's homes were not presented for audit.

(ii) *Unpresented Supporting Documents*

The necessary original invoices were not presented for payments totalling \$118,369. This could facilitate duplicated payments being made.

### **MEDICAL COUNCIL OF JAMAICA**

146. The audit of the captioned entity for the year 2004/2005 revealed the under-mentioned deficiencies:

(i) *Outstanding Financial Statements*

Financial Statements for the years 2002/2003 to 2004/2005 were not submitted for audit up to the date of this report. This breached Section 12 of the first schedule of the Medical Act.

(ii) *Salaries and Wages*

The required Ministry of Finance's approval was not seen for emoluments paid to three (3) officers of the Council. In addition, a number of allowances were paid to two (2) officers outside of the contractual agreement between them and the Council.

(iii) *Expenditure Vouchers*

Expenditure vouchers were not presented for payments made totalling \$1.4M, and proper procedures were not followed in the preparation of expenditure vouchers and their recording in the cash book. Management was advised to correct these inadequacies.

(iv) *Inadequate Records*

Improvements were needed in the record keeping for fixed assets and the maintenance of the cash book.

### **NATIONAL COUNCIL ON DRUG ABUSE**

147. The financial transactions and accounting records of the National Council on Drug Abuse for the year under review were found to be generally satisfactory. However, the under-mentioned areas of concern were noted:

(i) *Internal Control Weaknesses*

Weaknesses were noted in the maintenance of the advances ledger and the motor vehicle logs. I was subsequently advised that these shortcomings were addressed.

(ii) *Staff Loan Policy*

There was no evidence that the staff loan policy was approved by the Ministry of Finance as required.

### **PROFESSIONS SUPPLEMENTARY TO MEDICINE**

#### ***Staff Emoluments***

148. The necessary Ministry of Finance's approval was not seen for salary increases of 12.5% and 18.5% granted to two officers during the period under

review. It was also noted that the Board of Directors took a decision to pay the Income Tax payable by an officer. The Ministry's approval was also not presented for the payment of transport allowances ranging from \$10,000 to \$12,500 monthly made to an employee. The Agency was informed to have these matters rectified.

### ***Bank Reconciliation***

149. Bank Reconciliation statements were not prepared on the required monthly basis, but at the end of the financial year. This contributed to bank errors not being identified and addressed in a timely manner. The entity was advised to have the bank account reconciled monthly.

### **UNIVERSITY HOSPITAL BOARD OF MANAGEMENT**

150 Up to the date of this report, the audited financial statements for the Hospital in respect of the period 2002/2003 to 2004/2005 were not available for review as required by Section 5 1(c) of the University Hospital Act. I was therefore unable to assess its financial position for this period.

### **HEAD 4235 – GOVERNMENT CHEMIST**

151. The audit of the financial transactions of the captioned Department for the year under review disclosed the need for stricter compliance with the Government's disbursement rules. Overpayments of salaries amounting to \$17,221 made to three officers were also noted. Overpayments of salaries totalling \$79,096 which were mentioned in my 2003/2004 annual report, remained outstanding.

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

### ***Outstanding Appropriation Accounts***

152. Up to the date of this report the Appropriation Accounts for 2004/2005 were not received for audit.

### ***Inadequate Asset Control***

153. At the time of audit furniture and equipment costing \$923,784 were not recorded in the relevant assets inventory. This could undermine the Ministry's ability to safeguard and properly account for its assets. It was recommended that steps be taken to have the records updated at an early date.

### ***Losses and Irregularities***

154. Cash totalling \$786,800 was reportedly misappropriated by an officer at the Veterinary Division during the period under review. The officer was interdicted from duty on quarter (1/4) salary and the incident reported to the police.

## **RURAL AGRICULTURAL DEVELOPMENT AUTHORITY (RADA)**

### ***St. Catherine Parish Office***

#### ***Outstanding Rent***

155. An examination of the rental register indicated that three (3) occupants of the Authority's properties were in arrears totalling \$436,500 as at November 2004. Management was advised to take the necessary steps to collect the amount owed.

#### ***Inadequate Inventory and Stores Control***

156. Deficiencies were noted in the maintenance of the stores and fixed assets inventory records which prevented the verification of stock balances and could result in losses going undetected.

### ***Manchester Parish Office***

#### ***Outstanding Rental***

157. The audit disclosed arrears of rental totalling \$1,013,640 owing to the Authority as at November 2004. The Authority was advised to rigorously pursue the amounts outstanding.

#### ***Inadequate Inventory and Stores Control***

158. Deficiencies were noted in the maintenance of the stores and fixed assets inventory records which prevented the verification of stock balances.

## **St. Thomas Parish Office**

### **Revenue Collections**

159. It was observed that a structured pricing policy was not established for fees charged for transportation of goods and rental of beach cottages, as the Parish Manager seemed to arbitrarily determine the amounts to be charged. It was recommended that policies and procedures for the charging of all fees be determined at Head Office and communicated for the guidance of outstations.

### **Loan of Assets**

160. The office loaned certain equipment to individuals and public sector entities, however an approved policy for those arrangements, the related loan agreements with borrowers and detailed description of the equipment loaned were not presented. The Authority was asked to have this matter regularized.

### **Internal Control Weaknesses**

161. The audit revealed deficiencies in the controls exercised over fixed assets, stores and motor vehicles as the required control records were not faithfully maintained.

## **BODLES RESEARCH STATION**

162. The audit of Bodles Research Station for the year under review disclosed the following shortcomings:

(i) *Arrears of Bank Reconciliation*

The reconciliation of three (3) bank accounts was in serious arrears and could impede the detection and correction of errors and irregularities.

(ii) *Gasoline Register*

At the time of audit the relevant records did not indicate how 1,484 litres of petrol valued at \$42,212 were accounted for. The Station was asked to provide an explanation.

(iii) *Inadequate Control of Motor Vehicles*

The required motor vehicle inventory was not maintained and there was no evidence of the stipulated quarterly evaluation of the operating efficiency of the vehicles.

(iv) *Unsubstantiated Payments*

The required supporting documents were not presented for twenty three (23) payments totalling \$1,638,114. I was therefore unable to verify their authenticity. It was recommended that the relevant supporting bills be presented for inspection.

***Citrus Replanting Project***

163. The main objective of the captioned project is to prevent the total decline of the citrus industry threatened by the Citrus Tristeza Disease, by the replanting of 1556 hectares of groves between January 2001 and December 2005. Monthly progress reports presented up to December 2004 indicated that less than 50% of that target was accomplished. It was disclosed that the reports submitted did not consistently focus on the targets set out in the project's operational plan and on the key performance indicator. It was recommended that reports submitted in the future should show a comparison of actual performance with planned performance, variances disclosed and explanations for substantial variances.

***Eradication of New World Screw Worm***

164. The main objective of the captioned project is to eradicate the new world screwworm, an insect which causes destructive myiasis and even death in warm-blooded animals, including humans. The original objective was to achieve eradication by the year 2001. The audit disclosed that several extensions of the completion date were granted and that the Project's costs had increased from an initial estimated \$324M to \$1B at March 2005. Reports on the project indicated that there was a reduction in the number of cases. However, explanations given as to how the number of cases was determined were not considered satisfactory and documentary evidence to support the findings was not yet presented for audit scrutiny. Information on the prevalence of cases at the start of the Project was also not available. In the absence of baseline data and clear means of measuring accomplishments through a reliable methodology; the reports and conclusions on the progress of the Project were open to question. The slow progress of some components of the Project was attributed mainly to inadequate funding. Several recommendations for improvements were made and the evidence requested was awaited.

165. There was no evidence that the required competitive pricing process was employed in the selection of a custom broker to whom payments were made totalling \$553,710 and a security company that was paid a total of \$1,046,280. Recommendation was made for future compliance with the Government's procurement rules to ensure that the process is fair and transparent and that competitive prices are obtained.

## **JAMAICA AGRICULTURAL SOCIETY**

166. The audit of the accounting records and financial transactions of the Jamaica Agricultural Society for the financial year 2004/2005 revealed the following unsatisfactory features:

(i) *Unauthorized Bank Overdrafts*

Interest charges and overdraft fees totalling \$85,795 were incurred on bank overdrafts for which the necessary Ministry of Finance approval was not seen.

(ii) *Denbigh Agricultural Show*

a) Receipts were not presented to allow verification of the gate proceeds collected for the 2004 Denbigh Show. Management informed that collection and accounting for gate proceeds were outsourced to a private agency.

b) At the time of audit a short lodgement of \$11,500, reported by the Society's banker, had not been explained.

## **JAMAICA 4-H CLUBS**

167. An audit of the captioned entity for 2004/2005 disclosed the following matters of concern:

(i) *Outstanding Financial Statements*

A proper assessment of the financial operations and state of affairs of the Jamaica 4-H Clubs has not been possible for several years due to the arrears in the submission of financial statements and the absence of the necessary supporting records. Up to the date of this report the statements for 1999/2000 to 2004/2005 remained outstanding while those submitted for the years 1992/1993 to 1997/1998 had to be given audit disclaimers as the relevant supporting records were not presented.

(ii) *Bank Reconciliation Arrears*

The entity was exposed to the risk of errors and irregularities going undetected for protracted periods as the salaries and recurrent bank accounts had not been reconciled for over a year.

(iii) *Unauthorised Allowance*

Section 20 of the Public Bodies Management and Accountability Act was breached as an officer was paid a rental allowance of \$1,175,711 per annum, without evidence of the required approval of the Ministry of Finance and Planning.

(iv) *Procurement Breach*

There was no evidence to suggest that the Jamaica 4-H Clubs invited the required competitive price quotations prior to entering into an agreement to purchase twelve computers from a supplier at a cost of \$520,000.

(v) *Fixed Assets*

There was no evidence that the fixed assets at the Clubs' thirteen (13) external parish offices were reflected in the inventory records kept at the Head Office. This may undermine management's control over and accounting for such assets.

### **JAMAICA VETERINARY BOARD**

168. The audit of the financial transactions and accounting records of the captioned entity for the year under review revealed certain shortcomings in the procurement process and in the recording and lodgement of moneys collected. I was subsequently advised that these weaknesses were addressed.

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

169. The Ministry's financial transactions and accounting records for the year under review 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.

## **FOOD STORAGE AND PREVENTION OF INFESTATION DIVISION**

### ***General Comments***

170. A value for money audit of the captioned Division was conducted to determine whether it was carrying out the Government's programme of surveillance and regulation of the food industry to ensure the safety and wholesomeness of food/feed entering commerce in an effective, efficient and economical manner. This disclosed the following concerns in relation to long outstanding receivables, limited regulatory inspections of establishments in rural parishes, inadequate documented operational procedures to guide Food Storage Officers in the execution of their regulatory duties, and failure to fully comply with the Law in respect to the disposal of contaminated products. I recommended a number of corrective measures to which the Division subsequently responded that some had been implemented but it was unable to adopt others at this time due to budgetary constraints.

### ***Outstanding Receivables***

171. Miscellaneous Revenue was generated through various disinfestation activities undertaken by the Division for both government and private enterprises. An examination of the customer accounts register disclosed that at the 31/01/05, two hundred and eight (208) debtors owed the Division amounts ranging from \$350 to \$2,400,797 and totalling \$14,042,387 for periods of up to seven (7) years. The Division subsequently reported that \$3,978,502 was recovered and that \$1,975,268 was owed by companies which were no longer operating. Efforts were being made to collect the remainder.

### ***Rural Parishes***

172. Investigations disclosed that regulatory inspections of establishments in rural parishes were rarely undertaken. The Division advised that this was due to insufficient funding. It was explained that the extensive inspection of containers at the wharves by the Division substantially reduced the risk of infested food/products being sold to the public in rural parishes. However, there was no evidence that containers entering the island through the Montego Bay Wharf had been subjected to any inspection for the past four (4) years. The absence of routine inspection of food storage facilities in the rural parishes and containers at the Montego Bay Wharf could result in infested food/products being sold to the public. It was therefore recommended that appropriate arrangements should be implemented to ensure an adequate inspection coverage of the business establishments in the rural parishes and containers entering the island through the Montego Bay Wharf. The Division subsequently advised that 51 inspections had since been done in the Montego Bay area and that more will be done when an existing vacancy is filled.

### ***Monthly Reports***

173. Food Storage Inspectors are required to prepare a schedule of their daily activities which is used to prepare a monthly statistical report showing the number of inspections and disinfestation activities undertaken for the period. The statistical reports were then used to prepare the Division's monthly status report outlining its overall performance. A comparison of the figures on the statistical reports with the schedule of daily activities for the period 15/3/2004 to 11/6/2004 disclosed that in many instances information on both reports differed with the figures on the statistical reports being higher than those on the daily schedules. There was no evidence that the inspectors' monthly reports were checked by a senior officer. The absence of supervisory checks may result in erroneous information being fed to management and could affect management's ability to accurately assess whether the Division was meeting its objectives. The Division subsequently advised that it is now mandatory for senior inspectors to check and discuss the junior officers' reports and that a data management system had since been instituted.

### ***Technical Procedures***

174. Investigations revealed that there were no documented operational procedures in place to guide Food Storage Officers in the execution of their regulatory duties. The Division reported that in-house training courses were used to prepare inspectors to conduct the various regulatory inspections and disinfestation activities. It was noted however that appropriate records were not maintained to indicate the inspectors who attended these courses. I was therefore unable to verify whether all inspectors had attended the stated in-house courses. At the time of the audit the Division was in the process of developing a procedural manual to guide the operations of the Inspectorate Unit and I was subsequently informed that it had since been put to use.

### ***Disinfestation Activities***

175. The Division carried out a number of disinfestation activities for businesses and institutions at varying costs. These disinfestation exercises resulted from routine inspections done or special requests made by business owners. Food Storage Inspectors were required to prepare a 'requisition treatment' form listing the material required to undertake each disinfestation treatment. A test check of these forms revealed that they were not always completed with the required pertinent information and there were some cases in which request for chemicals for more than one job was listed on a single form with no breakdown of the amount needed for each job. It was therefore not possible to trace all the chemicals issued from the stores to the specific jobs and to verify whether all the chemicals were properly accounted for. It was recommended that the plan to implement an appropriate job card system by the

Division to better control the issue and use of chemicals/other disinfestation materials be speedily effected. The Division subsequently responded that a job treatment form (job card) system had since been instituted.

### ***Pest Control Books***

176. Inspectors are required to record all completed disinfestation jobs in Pest Control Books. The information is recorded in triplicate and the original copy given to the client. an examination of these books revealed that there were cases in which the word 'cancelled' was written on the two copies retained, however, the original copies were not presented for audit. It was also observed that although there was provision on the forms for the client's representative to acknowledge that the job was undertaken such acknowledgment was not seen in some cases. The above mentioned weaknesses could lead to abuse and the subsequent loss of revenue. It was recommended that officers be reminded to ensure that clients sign the required form and that the original copies of cancelled forms should be retained for audit purposes. The Division subsequently reported that corrective measures had since been instituted.

### ***Food/Feed Samples***

177. The audit disclosed that the Division's laboratories analyse food and feed samples for private organizations. However, it was observed that the findings of these tests, were sent directly to the clients without any evidence of referral to the Division's inspectorate section. There was also no indication that copies of the findings retained by the Division's registry were periodically reviewed by the inspectors to ascertain whether any of the samples tested were contaminated. This could result in businesses selling food/feed that are not wholesome for consumption. The Division subsequently reported that it had instituted a procedure for the laboratories to alert the inspectorate if the results are outside of the acceptable range.

### ***Disposal of Contaminated Products***

178. Section 19(3) of the Food Storage and Prevention of Infestation Regulation 1973 states that "Food for human consumption which has been seized and detained or condemned under the Act shall not be disposed of except after consultation with the Medical Officer (Health) for the parish or district in which the food then is." However, for the period under review only one instance was seen where written consultation took place with a Medical Officer. The Division was required to issue a disposal certificate after contaminated goods were accompanied by a food Storage Inspector and disposed of or destroyed. However, only one such certificate was presented for audit. The Division indicated that in the other cases the single copy of the certificate was given to the owners of the goods destroyed. The Division subsequently advised that a standard prescribed letter was now being used to inform the Ministry of

Health of disposal activities and that copies of disposal certificates are now being retained for audit purposes.

### **ANTI-DUMPING AND SUBSIDIES COMMISSION**

179. An audit of the captioned Commission for the year under review revealed a generally satisfactory state of affairs.

### **FAIR TRADING COMMISSION**

180. An audit of the accounting records and financial transactions of the captioned Commission for the year under review revealed the following shortcomings:

(i) *Outstanding Financial Statements*

The annual financial statements for 2004/2005 had not been presented for audit up to the date of this report. This prevented a proper assessment of the Commission's state of affairs.

(ii) *Overpayment*

A former employee was overpaid emoluments totalling \$32,038 because of incorrect calculation of salary and vacation leave entitlements. The Commission subsequently advised that this matter was before the court.

(iii) *Internal Control Weakness*

There was inadequate segregation of duties in the preparation and payment of salaries, thus compromising the Commission's ability to prevent and detect errors and irregularities.

### **HEAD 5238 – OFFICE OF THE REGISTRAR OF COMPANIES** **(COMPANIES OFFICE OF JAMAICA)**

181. The audit of the financial transactions and accounting records of the captioned Agency for the 2004/2005 financial year disclosed the following areas of concern:

- (i) There was no evidence that the requisite approval of the Ministry of Finance was received to increase the salary of a senior officer or to reclassify the post of another. These resulted in additional payments of over \$1.6M. A report was made to the Financial Secretary for possible surcharge proceedings to be instituted against the negligent officers and this was done.
- (ii) Health insurance benefits were extended for three months after cessation of employment to certain former employees whose posts were made redundant. The requisite approval from the Ministry of Finance for this arrangement was not seen.

**HEAD 5239 -**  
**POST AND TELECOMMUNICATIONS DEPARTMENT**

***Outstanding Financial Statements***

182. Up to the date of this report, the Appropriation Account for 2004/2005 and the Annual Revenue Statements for 2002/2003, 2003/2004 and 2004/2005 were outstanding.

**183. *Accounting Weaknesses***

- (i) Honorarium paid to a member of staff was not subject to Income Tax as required by law.
- (ii) Four officers were overpaid taxi fares totalling \$35,970. Of this amount \$12,554 was recovered up to the date of this report.
- (iii) It was noted that meal allowances were incorrectly paid to shift workers who were also in receipt of overtime payment.
- (iv) The audit disclosed that six of the post offices visited had arrears of revenue totalling \$213,000 for the rental of letter boxes. It was recommended that appropriate steps be taken to recover the overdue amounts. The Department subsequently advised that \$79,500 of the amount owed had been recovered.

***Losses and Irregularities***

184. During the period under review the Department reported losses totalling \$3,065,374 of cash and stock due to robberies, break-ins and suspected irregularities.

### ***Bank Reconciliation***

185. The reconciliation of three of the Department's bank accounts continued to be in serious arrears. Failure to properly reconcile bank accounts in a timely manner impedes the Department's ability to detect and correct possible errors and irregularities. It was noted that the Department had sought the assistance of the Ministry of Finance in dealing with this problem and approval was given for two of the accounts to be closed.

### ***Mail Contracts***

186. The mail contracts award process was reviewed by the Contractor General who identified several breaches of the Government's procurement procedures and recommended that the Department should seek to re-tender the contracts after a year instead of the three years for which the contracts were awarded. He suggested however that it should obtain the advice of the Attorney General before proceeding. This advice was not yet received up to the date of this report.

## **POSTAL CORPORATION OF JAMAICA LIMITED**

### ***Purchase of Computers***

187. There was no evidence, at the time of audit, that the Corporation had received seventy five (75) computers and accessories for which payment of \$3,570,701 was made on 19<sup>th</sup> March, 2003. The Corporation was asked to satisfy me that it had received value for the money spent or refer the matter to the Attorney General for legal advice as to how the issue may be resolved.

## **HEADS 5800, 5800A & 5800B – MINISTRY OF LAND AND ENVIRONMENT**

### ***Suspected Irregularities***

188. The Ministry reported that fictitious overtime claims were allegedly submitted by an officer resulting in the improper payment of public funds amounting to \$1,162,167 over the period February 2002 to June 2005. The officer was interdicted from duties and the matter reported to the police.

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

189. 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 Programme for the period under review disclosed a generally satisfactory state of affairs. .

**NEGRIL GREEN ISLAND AREA LOCAL PLANNING AUTHORITY**

***Improper Payments***

190. The Ministry's internal auditors reported alleged improper payments of amounts totalling \$604,662 to an officer of the Authority over the period January 2003 to October 2004. A claim for repayment was made against the officer who had since resigned and the matter was referred to the Attorney General for legal advice.

**NATIONAL LAND AGENCY  
E-LAND JAMAICA**

***General Comments***

191. E-Land Jamaica is an Internet-based service that allows subscribers global access to selected information on property values, location, titles and other relevant information. A review of this system was conducted to determine whether adequate controls were implemented to ensure that funds collected and use of the system were accurately recorded and processed. This disclosed weaknesses in the reconciliation of payments received, the monitoring of the use of subscribers accounts and accuracy of reports generated by the system. The audit recommended certain corrective measures to address the inadequacies identified. The Agency subsequently responded that these would be attended to in phase 2 of the E-Land Jamaica Project. The following paragraphs contain a summary of the observations noted.

***Reports***

192. It is required that persons wishing to use the system deposit a minimum of \$500 to their account at any of the National Land Agency offices. The cashiers

then submit the relevant information to the system administrator who updates/activates users' accounts. The subscriber is then able to log on to the E-Land website and conduct relevant searches. Varying fees are charged for the different types of searches, and subscribers are able to use the service until amounts deposited are exhausted. The system generates a 'Finance Report' that shows information such as the total amount deposited for the current year, total usage, and current balance on the account. This report is intended to monitor the usage by subscribers to ensure that usage is restricted to the amount of funds deposited to their account and to ascertain the amount to be transferred to revenue. However, it was observed that the report had certain deficiencies that prevented the desired verifications. It did not provide an opening balance. It also did not show the individual amounts deposited in any given period, only the accumulated amount for the period was reflected. In addition the system generates a 'Subscriber Report' which shows the details of a subscriber's account for a given period. Similar to the 'finance report', the accuracy of the current balance was difficult to verify as the opening balance was not provided on the statement. It was therefore time consuming to verify whether the usage by subscribers was restricted to the amount of funds deposited. The Agency subsequently responded that it had recognized the weaknesses and had started the process of engaging an organization to develop an E-Land Phase 2 to address these concerns.

### ***Reconciliation of Deposits***

193. Investigations revealed that the reports generated by the system were not periodically checked and reconciled to determine whether the amounts credited to subscribers' accounts by the System Administrator on the system were the actual amounts paid to the cashier by the subscribers. The Agency subsequently responded that the audit recommendation is accepted and the Finance Unit will be instructed to start the process of reconciling the amounts credited to subscribers against what was actually paid to the cashier.

### ***Transaction List***

194. The audit revealed that the system does not generate a transaction listing showing the type of searches undertaken and the amounts charged for each search during a given period in order to allow verification of whether the correct amounts were being charged and the balances on the accounts properly computed. The audit recommended that efforts should be made to have the system generate such a listing and periodic checks undertaken to verify whether the system is processing transactions accurately. The Agency responded that the current system cannot provide such information but stated that it would be incorporated in E-Land Phase 2.

## **SALE OF CROWN LAND**

195. There was no evidence that land/properties available for sale were regularly advertised, to ensure equity and transparency. It was recommended that this concern be addressed.

## **NATIONAL ENVIRONMENT AND PLANNING AGENCY**

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

(i) *Unauthorized Payment*

A contract officer was paid salary amounting to \$223,958 while on study leave although the contract of employment did not provide for this benefit; neither was the approval of the Ministry of Finance and Planning sought for such payment. The Ministry has since instructed that this amount should be recovered and up to the date of this report \$15,822 had been collected.

(ii) *Contracts*

There was no evidence that the award of consultancy and auditing services contracts for \$2.5M was done on a competitive basis as required by the Government Procurement Guidelines. I was therefore unable to determine if the Agency had received competitive market prices.

(iii) *Motor Vehicles*

The Agency incurred expenditure of \$11,850 for towing service and storage fee for motor vehicles as a result of the negligence of its officers. Of the amount \$3,337 was recovered up to the date of this report. Daily assignment records in most instances were not properly written up to give details of trips undertaken by fleet vehicles. In addition, there was no evidence that most of the accidents involving the Agency's vehicles were reported to the Attorney General, Auditor General and the Financial Secretary as required.

**MINISTRY OF WATER AND HOUSING**  
**CARIB ENGINEERING CORPORATION LTD.**

197. The Carib Engineering Corporation Limited is a wholly owned Government Company which was incorporated in April 1983 and currently has responsibility for the island-wide development and implementation of major water supply schemes. An audit of the entity for the period under review disclosed the following shortcomings:

(i) *Financial Statements*

Up to the time of this report there was no indication that the audited financial statements and annual reports for the years ended 31<sup>st</sup> March 2004 and 2005 were submitted to the Portfolio Minister for presentation to the Houses of Parliament as required by the Public Bodies Management and Accountability Act.

(ii) *Board of Directors*

Since April 2002 the Corporation has been operating without a Board of Directors. In the interest of good corporate governance it was recommended that one be appointed as early as possible.

(iii) *Breaches of Procurement Procedures*

In two instances the procurement of goods and services costing over \$600,000 was done without any indication that the required competitive price quotations were received and in one of the cases a contract for the service was not presented.

(iv) *Unapproved Emoluments*

Sixteen employees were paid allowances totalling \$914,530 in excess of what was approved by the Ministry of Finance and Planning and a portion of basic salary was unauthorisedly classified as rental allowance which resulted in a reduction of Income Tax payable.

(v) *Unremitted Statutory Deductions and Contractors Levy*

Statutory Deductions amounting to \$5,394,828 made from employees' salaries for the period April to December 2004 and contractors levy totalling \$676,713 were not remitted to the relevant collecting agencies as required by law. This could expose the Corporation to penalties.

(vi) *Use of Credit Cards*

No evidence was seen that the required prior approval was sought from the Ministry of Finance for the use of credit cards held by three officers of the Corporation. Bank statements and bills related to the use of these cards were also not presented for audit. I was therefore unable to ascertain whether they were used in keeping with the Government's guidelines.

(vii) *Breaches of Motor Vehicle Policy*

The audit disclosed the following breaches of the Government's Motor Vehicle Policy:

- (a) An officer purchased a motor vehicle that was assigned to her and, was then assigned another Government-owned vehicle before the stipulated two (2) years had elapsed.
- (b) A motor vehicle was assigned to a consultancy firm employed by the Corporation however, there was no evidence in the Consultants' contracts that the Firm was entitled to this benefit.
- (c) Two of the Corporation's vehicles were transferred to the Portfolio Ministry without the required approval of the Ministry of Finance.
- (d) Two senior officers each received a motor vehicle allowance of \$354,000 per annum but were also assigned Advance Cards with monthly limits of \$10,000 and \$15,000 respectively for the supply of petrol. The necessary approval of the Ministry of Finance for the use of the Advance Cards was not presented. In the absence of such approval the cost of fuel provided should be recovered.

viii) *Inadequate Motor Vehicle Control*

The stipulated log books and operational efficiency records for four (4) of the entity's motor vehicles were not presented, and deficiencies were noted in the control exercised over Advance Debit Cards. These weaknesses could lead to abuse.

## **JAMAICA MORTGAGE BANK**

198. An audit of motor vehicles owned by the captioned agency revealed the following areas of concern:

- (i) Two motor vehicles were transferred to the portfolio Ministry without evidence of the required approval of the Ministry of Finance and Planning.
- (ii) A motor vehicle costing \$5,637,000 which was said to have been purchased for the Projects Department was assigned to a Board member although he was not entitled to such a benefit. The vehicle had been kept in storage for five (5) months at a cost of \$10,000 before being assigned. The acquisition of a vehicle of that value to be utilized as a fleet vehicle appeared extravagant. The vehicle was subsequently returned to the Bank.
- (iii) An officer purchased a vehicle which had been assigned to him for three years. Under the Government's motor vehicle policy he should have retained this vehicle for the performance of official duties for at least another two years. It was noted however that before the expiration of this period the Bank purchased and assigned to him another motor vehicle costing \$6,363,633. This substantially exceeded the limit of US\$25,000 c.i.f. dictated by Cabinet. The officer's services were subsequently terminated.

## **WATER RESOURCES AUTHORITY**

199. The audit of the financial transactions and accounting records of the captioned entity for 2004/2005 revealed a generally satisfactory state of affairs. However, the necessary statutory deductions amounting to \$101,933 were not made from emoluments paid to a contract officer. There was also no evidence that the payroll was reviewed by a senior officer prior to salaries being paid. The Authority was asked to take corrective measures.

## **HEADS 6500, 6500A AND 6500B – MINISTRY OF TRANSPORT AND WORKS**

### ***Outstanding Financial Statements***

200. Up to the time of this report, the annual financial statements for 2004/2005 had not been received for audit.

### ***Breach of Procurement Procedures***

201. A contract valuing approximately \$3.85M was awarded to a supplier to provide janitorial services without evidence that the required competitive price quotations were used in the selection of the supplier.

### ***Control Weakness***

202. The control exercised over the use of fleet motor vehicles was inadequate as the stipulated logbooks were not maintained to indicate proper authorization of trips undertaken.

## **NORTHERN JAMAICA DEVELOPMENT PROJECT** **NORTHERN COASTAL HIGHWAY IMPROVEMENT** **PROJECT – SEGMENT 2**

203. The captioned Project aims to improve the infrastructure in tourism centers along the north coast of Jamaica. Segment 2 covers approximately 97 kilometres of road between Montego Bay and Ocho Rios. En route it links the parishes of St. James, Trelawny and St. Ann. It also includes the relocation of utility poles and water pipelines. The planned improvement will be executed through three (3) components namely; civil works, an environmental protection plan and resettlement programme, and a pilot road maintenance programme. The revised estimated cost of US\$131.1M is jointly funded by the Inter-American Development Bank (IDB) through a loan of US\$59.5M and the Government of Jamaica (GOJ) in the sum of US\$71.6M. The audit of the financial transactions and accounting records for the period under review disclosed the following concerns:-

- (i) *Transfer of Properties Acquired to the Commissioner of Lands*

There were serious delays in transferring properties acquired over the period April 2002 to August 2004 to the Commissioner of Lands.

- (ii) *Outstanding Bills*

At March 31, 2005 the Project had payments in arrears to the Contractor and Engineer totalling J\$84.235M. The management was advised to seek the requisite funding from the Ministry of Finance and Planning to settle its outstanding financial obligations.

(iii) *Progress of the Project*

The Project should have been completed in June 2004 but was extended to December 2005. This was due mainly to inadequate budgetary provision, cash flow constraints and financial difficulties experienced by the Contractor. In order to address the problems a Memorandum of Agreement was signed between the Contractor and the Ministry of Transport and Works. Despite this, there was concern as to whether the revised Project completion deadline would be met.

**JAMAICA URBAN TRANSIT COMPANY**

204. A test check of the accounting records and financial transactions of the Jamaica Urban Transit Company for 2004/2005 revealed the following unsatisfactory features:-

(i) *Outstanding Financial Statements*

There was no evidence that the company's audited annual financial statements for the period since its inception in 1998/1999 and up to 2004/2005, had been submitted to Parliament. This breached the requirements of the Public Bodies Management and Accountability Act.

(ii) *Staff Emoluments*

Although earlier mentioned in my 2002/2003 annual report, there was still no evidence that the required approval of the Ministry of Finance had been obtained for emoluments paid to the company's employees.

(iii) *Arrears of Statutory Deductions*

Up to the time of audit, statutory deductions amounting to approximately \$1.64B made from employees' emoluments over the period 2001 to 2005 had not been remitted to the relevant agencies. This could expose the company to penalties and adversely affect employees' entitlement to certain benefits.

(iv) *Un-Taxed Benefits*

Statutory deductions amounting to \$1,038,585 were not made from gratuity payments disbursed to eight (8) employees, as required by law.

(v) *Over and Underpayments*

Incorrect calculations and inadequate internal checks contributed to the overpayment of emoluments totalling \$208,582 to six (6) officers while three (3) persons were underpaid \$19,057. The company was advised to rectify the situation.

(vi) *Contract Award Breaches*

(a) During the period April 2004 to March 2005 payments of \$16.6M were made to a company to provide janitorial services, however there was no evidence of the required award of a contract recommended by the National Contracts Commission and approved by Cabinet.

(b) Amounts totalling \$3.7M were paid for security services for the period June 2004 to March 2005, however there was no indication that selection of the service provider was done competitively, neither was a formal contract presented for audit. The company was advised of the requirement to adhere to Government's procurement guidelines.

(vii) *Breaches of Motor Vehicle Policy*

(a) Two (2) officers continued to be assigned motor vehicles in contravention of the Government's Comprehensive Motor Vehicle Policy. The company was told to stop this arrangement.

b) Amounts totalling \$73,435 were paid to two (2) officers for travelling allowance although they were assigned motor vehicles on a full time basis. This breached the Government's Motor Vehicle Policy and the company was told to recover this amount.

(viii) *Outstanding Staff Loans*

There was no evidence that staff loans made to six (6) officers, amounting to \$76,277 plus accrued interest, were recovered.

Recommendations were made for staff loans to be properly monitored and recovery made on a timely basis.

(ix) *Directors' Fees*

There was no evidence that the required statutory deductions of \$419,775 were made from fees paid to ten board members between April 2003 and May 2005. The company was advised to recover this amount and remit same to the relevant authorities.

### **PORT SECURITY CORPS**

205. A review of the financial transactions and accounting records of the Port Security Corps for the financial year 2004/2005 revealed the following shortcomings:-

(i) *Emoluments*

- (a) There was no evidence that the required approval of the Ministry of Finance had been obtained for the emoluments paid to employees although this matter was raised in my 2002/2003 annual report.
- (b) There was also no evidence of Ministry of Finance's approval for certain members of staff to have a portion of their salary treated as rental allowance thereby reducing their tax liabilities.
- (c) Incorrect calculations contributed to overpayments totalling \$227,886 to three (3) officers. Up to the date of this report \$49,243 had been recovered.
- (d) At the time of audit statutory deductions amounting to approximately \$90.6M made from employees' emoluments over the period 2001 to February 2005 were not remitted to the relevant authorities. This was in breach of the relevant Acts and could expose the Corps to penalties as well as adversely affect employees' entitlement to certain benefits. It was noted that the Ministry of Finance was requested to write-off approximately \$83.5M of the amount owed.

(ii) *Disposal of Assets*

The Corps disposed of four (4) motor vehicles without evidence of compliance with the stipulated Government guidelines. This could have adversely affected the sales proceeds received by the Corps.

(iii) *Procurement*

Amounts totalling \$4.7M were paid to a firm to provide transportation services. However, there was no evidence that the requirement to select the supplier by competitive tenders was adhered to, neither was a written contract which established the rights and obligations of both parties presented.

iv) *Non-Taxation of Board Fees*

Two (2) Board members were paid fees totalling \$92,000 without deduction of statutory payments amounting to \$26,680 as required by law. The Corps was advised to make recovery and remit same to the relevant authorities.

### **ROAD MAINTENANCE FUND**

206. The audit of the Road Maintenance Fund for the period under review disclosed the following areas of concern:

(i) *Unpresented Statements*

Up to the date of this report there was no indication that the Fund's audited financial statements for 2003/2004 were submitted to Parliament as required by the Public Bodies Management and Accountability Act and the Road Maintenance Fund Act. I was advised that these statements were sent to the portfolio ministry in July 2004.

(ii) *Unapproved Investments*

At the time of audit amounts totalling \$325.3M and US\$331,101 were held in investments without evidence of the required approval of the Ministry of Finance and Planning. This breached the requirements of the Road Maintenance Fund Act. I was subsequently informed that Ministry of Finance's approval had since been sought.

(iii) *Breach of Motor Vehicle Policy*

Three (3) officers were assigned motor vehicles contrary to Government Comprehensive Motor Vehicle Policy. The Fund was advised to bring itself in compliance with the policy. I was subsequently advised that two of the vehicles had since been withdrawn from the officers and Ministry of Finance approval had been requested for an exemption in the case of the other officer.

(iv) *Contractors' Levy*

Contractors' Levy amounting to \$44,596 was not deducted from contract payments made as required by the Contractors' Levy Act. It was recommended that the levy be recovered and remitted to the relevant authority.

(v) *Directors' Fees*

Fees totalling \$441,500 were paid to twelve (12) board members without the required statutory deductions of \$128,035 being made. The Fund was advised to rectify this omission. I was subsequently advised that about 60% of the tax had been collected.

**HEADS 7200, 7200A AND 7200B –**  
**MINISTRY OF LOCAL GOVERNMENT,**  
**COMMUNITY DEVELOPMENT AND SPORT**

207. The audit of the financial transactions and accounting records of the Ministry for the year under review revealed a generally satisfactory state of affairs. However, the following shortcomings were noted:

(i) *Control Weaknesses*

There was need for improved control over the use of telephones and in assessing the operational efficiency of motor vehicles. The Ministry subsequently advised that corrective measures had since been instituted.

(ii) *Outstanding Accounts*

Up to the date of this report the Appropriation Accounts for 2004/2005 had not been received for audit.

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

208. 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 parishes 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 financial transactions and accounting records of the Programme for the financial year 2004/2005, disclosed a generally satisfactory state of affairs.

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

209. 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's financial transactions and accounting records for the period under review disclosed a generally satisfactory state of affairs. It was noted however that delivery of the intended outputs by the Programme was seriously constrained due to inadequate cash flow allocation.

**PAROCHIAL REVENUE FUND**

210. There was no evidence that the necessary Ministerial approval as required under Section 20 of the Parochial Rates and Finance Act, was given for 2.5% of the Property Tax collections to be retained by the Inland Revenue Department as management fees. The financial statements for 2002/2003 revealed that amounts totalling \$1,123,081,361 were transferred from the Parochial Revenue Fund to the National Solid Waste Management Authority to fund its operations. This contravened Section 6B of the Act which requires that payments out of the Fund should be made to Parish Councils. The Ministry acknowledged that these

arrangements needed to be regularized however, up to the time of this report this had not been done.

### **GOLDEN AGE HOME**

211. The audit of the financial transactions and accounting records of the Golden Age Home for the year under review revealed the following deficiencies:

(i) *Supper Allowance*

Shift workers were paid supper allowance contrary to guidelines set by the Ministry of Finance and Planning. This resulted in overpayments of \$2,116,483.

(ii) *Procurement Breach*

Amounts totalling \$13,501,626 were paid to a concessionaire for supplying meals to the institution without evidence of existence of a written contract. The concessionaire was also not on the National Contracts Commission's (NCC) approved list of contractors. It was recommended that the service be put to tender and that a formal contract be instituted, in accordance with the government's procurement guidelines.

(iii) *Inadequate Assets Records*

There was need to improve the maintenance of the fixed assets and stores control records.

### **JAMAICA FIRE BRIGADE**

212. The audit of the Brigade's financial transactions and accounting records for the year under review disclosed the following unsatisfactory features:

(i) *Outstanding Financial Statements*

Audited annual financial statements for the period 1998/1999 to 2004/2005 were not presented. The absence of up-to-date financial statements made it difficult to assess the financial status of the Brigade.

(ii) *Inadequate Stock Control*

Adequate control was not exercised over motor vehicle spare parts acquired as proper stock records were not maintained, access to the stock was not appropriately restricted and there was no evidence of the required independent check of the stock.

(iii) *Repair of Vehicles*

Repairs of motor vehicles were in some instances undertaken by garages which were not on the Government's approved list. This breached the Government's Comprehensive Motor Vehicle Policy. The Brigade subsequently advised that steps were being taken to have this situation corrected.

(iv) *Breach of Procedures*

Payments for goods and services costing \$71,146 were made using estimates and quotations as supporting documents instead of the original suppliers' bills/invoices required by the Financial Instructions. The Department was told to discontinue this practice as it could result in erroneous or duplicate payments.

## **SOCIAL DEVELOPMENT COMMISSION**

### ***Advance Cards***

213. Ministry of Finance and Planning's guidelines governing the operation of advance cards used to purchase petrol were not adhered to, thereby undermining the control over the purchase and consumption of petrol.

### ***Unpaid Statutory Deductions***

214. At the time of audit the Commission had not remitted to the relevant agencies statutory deductions amounting to \$47.38M made from employees' emoluments during the period October 2002 to March 2005.

### ***Overpayments***

215. Five (5) officers were overpaid amounts totalling \$27,089 for vacation leave pay and motor vehicle upkeep allowance. Of this amount \$5,329 was recovered up to the date of this report.

216. ***Procurement Breaches***

- (i) No evidence was presented to indicate that the stipulated competitive process was used in the selection of a contractor for two service contracts awarded and on which payments totalling \$5.75m were made during the period under review. One of the contracts did not specify the sum payable under the agreement. These breaches of the Government's procurement rules prevented an assessment as to whether good value for money was received.
- (ii) Contractors levy of \$126,729 deducted from contract payments was not remitted to the Collector of Taxes in keeping with Section 4 (1) of the Contractors Levy Act.
- (iii) The required Ministry of Finance's and portfolio ministry's approval was not produced for foreign travels costing US\$8,994 for per diem allowance.

***Expenditure Incurred on Behalf of Portfolio Ministry***

217. The necessary Ministry of Finance and Planning's approval was not seen for the payment of airfare of \$259,789 made on behalf of the Portfolio Ministry.

218. ***Social and Economic Support Programme (SESP)***

- (i) As disclosed in previous annual reports there was no indication that competitive price quotes were obtained before goods and services were procured. In addition, the required original invoices were not presented for payments totalling \$1,245,966. There was therefore uncertainty as to whether the Government obtained good value in the procurement of these goods and services. The Commission has since advised that it has requested an increase in its staff complement to allow compliance with Government's guidelines.
- (ii) In most of the cases examined there was no evidence that appropriate needs assessments were conducted by the Commission's officers to establish whether beneficiaries of the Indigent Housing Programme qualified for the assistance granted.

### ***Advances/Loans***

219. The Commission granted two interest free staff loans totalling \$285,125 contrary to guidelines issued by the Ministry of Finance and Planning which stipulated a minimum interest rate of 8% per annum. The Commission was told to ensure compliance with Government's policy.

### **SPORTS DEVELOPMENT FOUNDATION**

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

(i) *Non-Taxation of Board Fees*

Fees totalling \$1,951,000 were paid to directors without the deduction of Income Tax of \$487,750 as required by Section 5 (i) c of the Income Tax Act. The Foundation subsequently advised that steps were being taken to regularize the matter.

(ii) *2004 Jamaica Invitational Track Meet*

The Foundation provided funding of \$29.7M to assist in the holding of an international track and field meet at the National Stadium in 2004. There was need for improvement in the accounting for (a) disbursements made in respect of athletes who participated and (b) the tickets printed for the meet. Recommendations were made as to the changes considered necessary and the management has promised to take corrective action for any such future meets.

### **KINGSTON AND ST. ANDREW CORPORATION**

#### ***Outstanding Financial Statements***

221. Up to the date of this report annual financial statements for the years 2002/2003, 2003/2004 and 2004/2005 were outstanding.

#### ***Unauthorised and Unverified Payments***

222. There was no indication that the required approval of the Ministry of Local Government was obtained for overseas trips on which payments of \$240,361 for hotel accommodation and \$289,340 for cellular roaming services were made. The cost of the latter appeared excessive. Adequate supporting documents were

also not presented to allow verification as to whether payment of \$198,291 for goods/services represented a proper charge against public funds. Explanations were sought from the Corporation.

### ***Public Relations Expenditure***

223. It was noted that for the financial years 2003/2004 and 2004/2005 the Corporation expended \$6,662,460 for photography, videography and preparation of press releases and speeches. However, there was no evidence that the necessary competitive price quotations were sought to ensure that these services were acquired at economical rates. The cost incurred for these services also seemed excessive.

### ***Unauthorised Advance***

224. During the period under review the Corporation made payments totalling \$3,216,330 for staging free concerts in the city of Kingston. It was noted that donations of \$375,000 were received to help finance these activities. There was however no evidence that budgeted provision was approved by the Ministry of Local Government to cover the balance of \$2,841,330. This therefore represented an unauthorized advance. The Corporation needs to explain how the advance will be cleared.

## **HANOVER PARISH COUNCIL**

225. The audit of the financial transactions and accounting records of the Hanover Parish Council for the year under review disclosed the following unsatisfactory features:

(i) *Outstanding Financial Statements*

Up to the time of this report, the financial statements for the years 2002/2003 to 2004/2005 remained outstanding.

(ii) *Arrears of Revenue*

At the time of the inspection the records reflected that the Council was owed arrears of revenue for rents/leases totalling \$2,781,761.

(iii) *Internal Control Weaknesses*

The records disclosed internal control weaknesses in such areas as moneys collected through the mail; the ordering, receiving and custody of official receipt books, invoice order books and blank

cheques, the record keeping for furniture and equipment; and the recording and accounting for stores items. The Council has promised to take early corrective action.

### **PORTMORE MUNICIPAL COUNCIL**

226. The audit of the financial transactions and accounting records of the captioned Council for the year under review disclosed the following areas of concern:

(i) *Outstanding Financial Statements*

Up to the date of this report the financial statements for the years 2003/2004 and 2004/2005 remained outstanding. The Council advised that it was awaiting information from the St. Catherine Parish Council to prepare these statements.

(iii) *Contracts Register*

The required contracts register to facilitate the monitoring of the award and implementation of contracts was not properly maintained.

(iii) *Expenditure Vouchers*

Several instances were noted in which expenditure vouchers bore no certification that goods purchased were received in good condition and services procured were satisfactorily performed. The Council advised that corrective measures had since been taken.

### **ST. CATHERINE PARISH COUNCIL**

227. The audit of the financial transactions and accounting records of the St. Catherine Parish Council for the year under review disclosed the following unsatisfactory features:

(i) *Outstanding Financial Statements*

Up to the time of this report, the financial statements for the years 2003/2004 and 2004/2005 remained outstanding.

(ii) *Over-Expenditure of Funds*

The Council was said to have been asked to spend an additional \$14.5M under the Road Maintenance Fund to facilitate emergency work after the passage of Hurricane Ivan, on the understanding that these funds would be reimbursed by the Ministry of Local Government. No documented evidence of this alleged undertaking was presented and up to the time of audit there was no indication that any refund had been made.

iii) *Unremitted Statutory Deduction*

Up to the time of audit there was no evidence that Contractor's Levy amounting to \$305,927, deducted between April 2004 and March 2005 had been remitted to the Inland Revenue Department. This contravened the relevant Act and exposed the Council to the possible imposition of penalty.

iv) *Bank Reconciliation*

Reconciliation of the Council's four (4) current bank accounts was in arrears between four and seven months at the time of inspection. The reconciliations done disclosed several erroneous debits amounting to \$283,136 which had remained unresolved from between January 2000 and January 2005. This situation could contribute to the loss of the Council's funds.

v) *Expenditure Vouchers*

(a) The required certification of payment vouchers for \$214,733, that the goods purchased were received in good condition and that services paid for were satisfactorily performed, was not seen.

(b) There was no evidence that the necessary competitive price quotes were obtained in the procurement of goods costing \$1,263,140 and as a result it was not clear how the Council satisfied itself that the prices paid were fair and reasonable.

(c) The information recorded on eight (8) vouchers for \$119,952 was insufficient to justify the related expenditure. The Council was asked to provide better particulars.

### **ST. ELIZABETH PARISH COUNCIL**

228. The audit disclosed that the financial transactions for the year under review had been conducted in a generally satisfactory manner. However, up to the date of this report, the annual financial statements for 2004/2005 had not been received for examination, and at the time of audit, arrears of rental amounting to \$447,626 were owed to the Council. It subsequently advised that \$100,648 of the arrears had since been collected and that steps were being taken to institute legal action against four (4) tenants.

### **ST. MARY PARISH COUNCIL**

229. The financial transactions and accounting records examined for 2004/2005 were found to be generally satisfactory. However, the following areas of concern were observed:

(i) *Outstanding Accounts*

Up to the date of this report the annual financial statements for 2003/2004 and 2004/2005 were not submitted for audit.

(ii) The records disclosed arrears of rental due from lessees of Council properties totalling \$657,960.

(iii) It was noted that most pension payments were being made without evidence that the required life certificates were submitted. This could result in improper payments. The Council subsequently advised that corrective measures had been instituted.

### **ST. THOMAS PARISH COUNCIL**

230. The audit of the St. Thomas Parish Council for the year under review disclosed the following shortcomings:

(i) *Outstanding Accounts*

Up to the date of this report the annual financial statements for 2004/2005 had not been submitted for examination.

(ii) *Statutory Deductions*

The Council's records revealed that statutory deductions totalling \$16,359,186 made from employees' emoluments between May 1999 and December 2003 had not been remitted to the relevant agencies. The Council subsequently advised that \$1,367,609 of these arrears had since been paid up.

(iii) *Accounting Weaknesses*

Many pension payments were made without evidence that the necessary life certificates had been submitted. There was need for improvement in the maintenance of the furniture and equipment records; and reconciliation of one of the bank accounts was more than a year in arrears. The Council subsequently advised that corrective action had since been taken in respect of life certificates and the fixed assets records.

**WESTMORELAND PARISH COUNCIL**

231. The financial transactions and accounting records examined for the year under review were found to be generally satisfactory. However, the following areas of concern were noted:

(i) *Outstanding Accounts*

Up to the date of this report the annual financial statements for 2004/2005 were not submitted for examination.

(ii) *Annual Returns*

The legally required annual returns were outstanding as follows:

Income Tax	-	2003 and 2004
Education Tax	-	2002 and 2004

(iii) *Arrears of Rental*

Arrears of rental amounting to \$1,461,074 were owed by lessees of the Council's properties. The Council subsequently advised that leases for commercial spots had been terminated and recovery of amounts due was being pursued through the courts.

(iv) *Travelling Expenses*

An officer was improperly reimbursed travelling expenses totalling \$100,053 while on study leave on a day release basis. The Council has since indicated that recovery had commenced.

**ACKNOWLEDGEMENT**

232. 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 co-operation and courtesies extended to my staff and myself during 2005.

ADRIAN P. STRACHAN, CD, FCCA, FCA, JP.  
AUDITOR GENERAL  
16<sup>th</sup> December, 2005