

AUDITOR GENERAL'S DEPARTMENT



ACCOUNTABILITY

INTEGRITY

TRANSPARENCY

**REPORT
OF THE
AUDITOR GENERAL
ON THE
APPROPRIATION
AND OTHER
ACCOUNTS OF JAMAICA
FOR THE FINANCIAL YEAR
ENDED 31ST MARCH 2008**

DECEMBER 2008

Auditor General's Department

VISION STATEMENT

Our Vision is to, on behalf of the Parliament and people of Jamaica, enhance accountability, integrity, economy, efficiency and effectiveness in Government operations.

MISSION STATEMENT

Our mission is to:

- *Promote transparency, accountability, and best practices in Government operations;*
- *Conduct independent audits and make reports to improve the use of public resources;*
- *Ensure that public sector financial transactions comply with the wishes of Parliament, relevant laws and regulations and are conducted with due regard to the avoidance of fraud, waste and extravagance; and*
- *Develop and maintain the professional competence of our staff.*



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

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December 19, 2008

*The Honourable Speaker
House of Representatives
Kingston
Jamaica*

Dear Sir,

Pursuant to the provision of Section 122(2) of the Jamaica Constitution, I have the honour to submit my report on the results of the examination of the accounts of the Island for the year ended 31st March, 2008 for tabling in the House of Representatives.

Yours faithfully,

A handwritten signature in black ink, appearing to read "PME", followed by a horizontal line.

*Pamela Monroe Ellis (Mrs.)
Auditor General*

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R E P O R T
OF THE
AUDITOR GENERAL
ON THE
FINANCIAL TRANSACTIONS, ACCOUNTING RECORDS
AND FINANCIAL STATEMENTS OF THE
GOVERNMENT OF JAMAICA
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2008

INTRODUCTION

The Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. It contains the findings arising from my audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year ended 31st March, 2008. 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 2007/2008 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. In all instances a risk based audit methodology was applied. The overriding intent of the audits was to contribute to improvement in the management of 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 this 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 Constitution, Financial Administration and Audit Act, other Acts of Parliament, the Financial Regulations and Instructions, as well as good financial, accounting

and management practices have not been observed. The report therefore tends to emphasize the shortcomings and unsatisfactory features disclosed by the audits. Mention is, however, also made of those areas in which a generally satisfactory state of affairs was observed and where marked improvements were noted.

Public Accounts Committee

6. The Public Accounts Committee of the House of Representatives is a standing bipartisan 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. During 2008 the Committee examined the Auditor General's Annual Reports for the years 2004/2005, 2005/2006 and 2006/2007. Arising from its examination of the 2006/2007 Auditor General's Report the Committee requested a special audit of the Social and Economic Support Programme- OPM Reserve. The audit findings are summarised in paragraphs 409 to 412.

Staff Related Issues

7. In an effort to secure sustained staff competence Institutional Capacity Building was identified as a major objective in the Department's five (5) year strategic plan. During the year officers of the Department were exposed to structured training in the areas of Forensic and Performance Audits. Induction courses were also held for new recruits.

ACCA Accreditation

8. The Department received Employer Accredited Status from the Association of Certified Chartered Accountants (ACCA). One of the benefits of this status is the availability of assistance in the area of staff development through ACCA's partially funded training opportunities and complimentary resource materials. In November 2008 ACCA provided a lecturer who trained officers of the Department in the areas of succession planning and small entity audits.

SUMMARY OF MAJOR AUDIT FINDINGS

9. A summary of the major findings of the audits conducted for the period under review is provided at paragraphs 10 to 29 below.

Generally Satisfactory Audit Findings

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

Arrears of Annual Financial Statements

11. Government entities are required under relevant Acts of Parliament 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.

12. In the case of ministries and departments, which should submit Appropriation Accounts, up to December 11, 2008, I had not received 50 accounts for 2007/2008, 5 for 2006/2007 and 2 for 2005/2006. A schedule of the outstanding Appropriation Accounts is shown at Appendix "A" of this report.

13. Some statutory bodies were also in arrears with the submission of their financial statements, including receipts and payments statement, as follows:

Table 1- Outstanding Financial Statements and Receipts and Payments Statements

Financial Year	Number of Entities
2003/2004	7
2004/2005	9
2005/2006	15
2006/2007	26
2007/2008	41

Details of outstanding financial statements are shown at appendices "B" and "C" to this report. Delay in the submission of the annual financial statements undermined the public accountability process; prevented a proper assessment of the entities financial performance and their state of affairs, and increased the risk of delayed or non-detection of errors and fraud.

Improper Payments

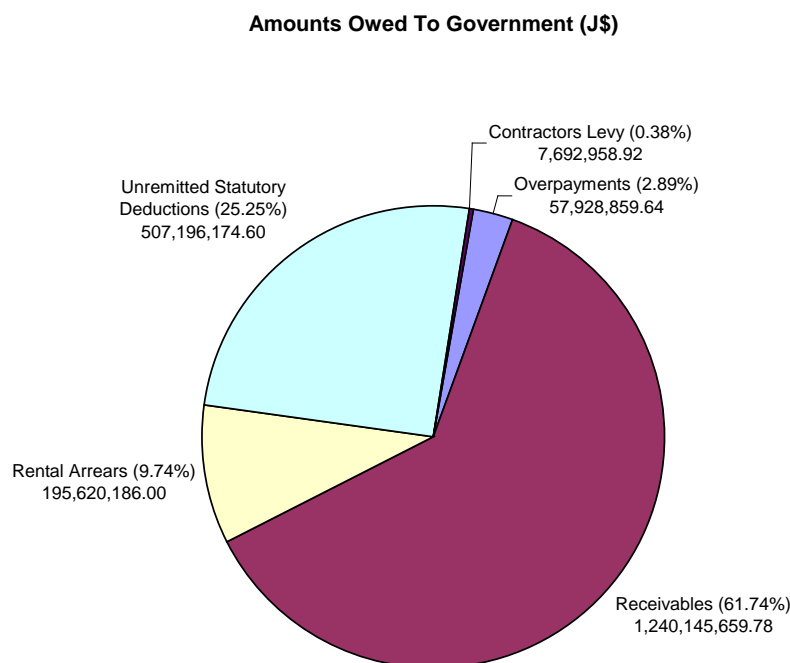
14. The audits identified a number of instances in which payments amounting to \$10.8M were made in breach of the stipulated rules and guidelines or without the requisite approval.

Losses, Irregularities and Unverified Transactions

15. The audits at several entities disclosed instances in which vouchers and supporting invoices were not presented for expenditure totalling \$188.7M. I was therefore unable to verify their authenticity. Information was not made available as to how assets and other resources valued at \$20.9M were accounted for. Six (6) entities also reported losses and irregularities involving approximately \$66.7M. Most of these cases of losses and irregularities were reported to the police.

Amounts Owed To the Government

16 Throughout this report, disclosure is made of overpayments, receivables and non-remittance of statutory deductions identified during the conduct of the audits. The amounts identified in respect of the financial year ended March 31st 2008 totals approximately J\$2B. Recoveries of \$137.6M were made by the relevant agencies, subsequent to my initial reports.



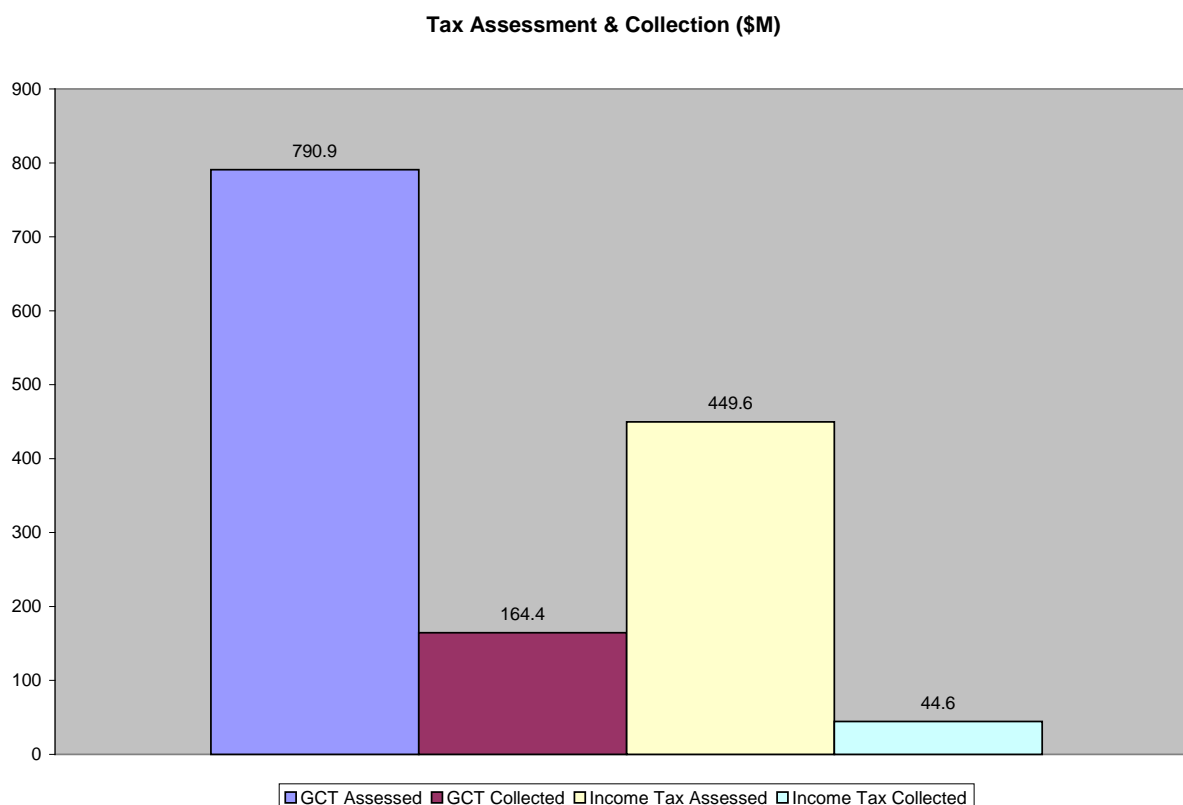
Amounts Owed By the Government

17. The audits identified that amounts totalling approximately \$625.4M was owed, by five (5) entities, in excess of thirty (30) days, to suppliers of goods and services as at March 31st 2008. This figure does not include the Public Debt. Section 36(1) of the Financial Administration and Audit Act Regulations states – “Accounting officers shall settle payments by their departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the monthly warrant issued for the purpose, within a

period of thirty days of their receipt". The entities were advised of the breach and informed to take steps to ensure future compliance with the Regulation.

Tax Assessment and Collection

18. A review of 300 taxpayer files for GCT and Income Tax disclosed assessments made, of tax collectible, totalling \$1.24B. However the audit identified that only amounts totalling \$209M were collected by the respective agencies.



Outstanding and Salary Advances

19. The Financial Administration and Audit Act, Instructions 5.39(3) and 5.42 stipulate that advances made from public moneys for travelling and subsistence expenses should be accounted for immediately on return.

20. Good financial practices should ensure the prompt recovery or clearing of advances made for goods and services, on delivery of the goods and for the satisfactory completion of such services. Additionally, salaries paid in advance to officers proceeding on vacation leave should be recovered on the first pay day following the salary-in- advance disbursement.

21. Failure to account for advances within the stipulated timeframe will misrepresent actual expenditure for that period and create uncertainty as to whether funds were used for the intended purposes.

22. The audits identified outstanding advances totalling \$316.2M, made to meet travelling and subsistence expenses and for the procurement of goods and services. Long overdue salary advances were also identified which totalled \$7.7M. The relevant agencies were advised to take the necessary measures to have the balances cleared.

The information provided in paragraphs 16 to 22 discloses only amounts identified, using sample techniques, during the audits, and does not reflect the total amounts payable and receivable by the Government as at March, 31st, 2008.

Internal Control weaknesses

23. Internal Controls are designed to provide reasonable assurance that Government's policy directives are enforced and that its general objectives are being achieved. The Minister of Finance is charged with the responsibility of issuing policy guidelines to regulate the day to day activities of the Government.

24. Accounting officers of ministries, departments and agencies are charged with the responsibility of ensuring that all policy directives, as well as the provisions of the relevant Laws, are observed; guidelines issued by the Ministry of Finance are implemented and an effective system of internal control exists. 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. Management's demonstration of commitment to the system of internal control is critical in fostering a supportive and positive attitude towards internal control by public servants.

25. Failure by several entities to comply with the Government's financial rules continued to result in inadequate control over stores, furniture and equipment, the custody of blank cheques, the preparation and payment of salaries and the purchase of petrol, thus undermining the objective of safeguarding Government resources. Reconciliation of several bank accounts also remained in serious arrears, thereby creating an environment which facilitated the concealment of errors and fraud.

Breaches of Procurement Guidelines

26. The audits identified breaches of the Government's prescribed rules for the procurement of goods and services costing approximately JD\$736.6M and USD\$2.2M. These included failure to obtain the required recommendation of the National Contracts Commission for contracts of \$4M and over as well as 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. Other frequent violations were that business was done with suppliers who were not on the National Contracts Commission's approved list or who did not submit the necessary Tax Compliance Certificates.

Information Technology Audit

27. Officers of this Department were trained in information technology audit by Symptai Limited under the IDB funded Programme for Development (PRODEV). A “hands-on” training method was adopted; which involved analysing data used by selected information systems. The summarised reports of these audits are outlined in paragraphs 375 to 402.

Special Audits

28. I conducted reviews, by special request, of the operations of the Jamaica Railway Privatisation Fund and the Office of the Prime Minister Reserve Fund (OPM Reserve). The summarised reports of these audits are outlined in paragraphs 403 to 412.

33

Performance Audit

29. Performance audit (PA) methodology is a full scope examination of the economy; efficiency and effectiveness of Government programmes and organisations. The PA methodology was applied in reviewing the operations of Fisheries Division of the Ministry of Agriculture; and assessing the Reform of Secondary Education (ROSE) project. The summarised reports of these audits are outlined in paragraphs 413 to 416.

ACKNOWLEDGEMENT

30. I would like to extend special thanks to my staff for their contribution to this report, and express my gratitude to Accounting Officers, Chief Executive Officers and their staff, and officers of other Government departments and agencies for the courtesies and co-operation extended to my staff and me during 2008.

AUDIT OBSERVATIONS AND RECOMMENDATIONS

HEAD 0100 - HIS EXCELLENCY THE GOVERNOR GENERAL AND STAFF

31. The audit of the accounting records and financial transactions of the Department disclosed a generally satisfactory state of affairs. The few internal control weaknesses noted were subsequently addressed.

HEAD 0200 – HOUSES OF PARLIAMENT

32. The financial transactions and accounting records of the Houses of Parliament for the year under review revealed a generally satisfactory state of affairs. However, up to the date of this report the Appropriation Account for 2007/2008 was not presented for examination. There was also need for improvement in the maintenance of the motor vehicle records, the control over the use of telephones and the preparation of expenditure vouchers. Agreements were not presented for two contracts for which payments totalling \$2,790,047 were made. Corrective measures were recommended to address these areas of concern.

HEAD 0300 – OFFICE OF THE PUBLIC DEFENDER

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

HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL

34. The audit of the captioned entity for the financial year 2007/2008 revealed a generally satisfactory state of affairs.

HEAD 0600 – OFFICE OF THE SERVICES COMMISSIONS

35. The audit of the financial transactions and accounting records of the Office of the Services Commissions for the period under review disclosed the following matters of concern:

(i) **Outstanding Appropriation Account**

Up to the date of this report, the Appropriation Account for 2007/2008 had not been received for audit.

(ii) **Internal Control Weaknesses**

The audit of the captioned entity disclosed shortcomings in the control over unused receipts and the recurrent bank account which could result in errors and irregularities remaining undetected. Corrective measures were recommended to address these areas of concern.

(iii) **Board Fees**

Documentary evidence was not presented to indicate that income tax totalling \$536,563 was deducted from fees of \$2,146,250 paid to ten board members during the period April 2006 to February 2008. Management was advised to take the necessary steps to recover the outstanding income tax.

(iv) **Salary Overpayment**

Two employees were paid at the incorrect rates within the relevant salary scales resulting in overpayments totalling \$39,794. At least \$27,407 of this amount was recovered at the date of this report.

HEAD 0700 – OFFICE OF THE CHILDREN’S ADVOCATE

36 The audit of the financial transactions and accounting records of the Office of the Children’s Advocate for the year under review revealed a satisfactory state of affairs. The few internal control weaknesses observed were subsequently addressed.

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

37. The audit of the financial transactions and accounting records of the captioned entity disclosed the following concerns:

(i) **Overpayments**

Overpayments totalling \$700,087 were made to a supplier who provided janitorial services to the Department. The Department was advised to recover the overpayment and strengthen its internal checking system to prevent recurrence. The Agency subsequently advised that full recovery was made.

(ii) **Bank Reconciliation**

Reconciliation of the salaries bank account was thirteen months in arrears. Failure to reconcile the accounts in a timely manner could result in unauthorized transactions and errors going undetected for prolonged periods. Management was advised to bring the reconciliation up to date at the earliest possible time.

LOCAL GOVERNMENT DEPARTMENT

Outstanding Appropriation Accounts

38. The Appropriation Accounts for 2006/2007 and 2007/2008 were not received up to the date of this report. Failure to submit the Accounts within four months after the end of the financial year constitutes a breach of the Financial Administration and Audit Act.

Internal Control Weaknesses

39. (i) Fixed Assets

Weaknesses persisted in the controls exercised over fixed assets. There was no evidence that assets acquired during the year under review costing \$1,135,567 were recorded in the inventory records, while some items were not appropriately marked.

(ii) Telephone Charges

The audit was unable to determine the portion of the telephone charges amounting to \$11M that was incurred for official business because of inadequate controls over the use of the telephones.

(iii) Unsupported Payments

Payments totalling \$283,904 were not supported by the requisite suppliers' invoices. The entity was urged to implement appropriate controls without further delay as these weaknesses could lead to abuse and financial losses. I was subsequently informed that corrective measures were being taken.

(iv) Overpayment of Salaries

Two (2) persons were overpaid salaries amounting to \$17,866 as a result of administrative weaknesses and incorrect computation. The Department was advised to address the deficiencies and recover the amounts overpaid. The Department subsequently advised that recovery would be made.

NATIONAL SOLID WASTE MANAGEMENT AUTHORITY

40. An audit of accounting records and financial transactions of the Authority and the Western Regional Office disclosed the following matters of concern:

Non-submission of Audited Financial Statements

41. The Authority was operating in breach of the Public Bodies Management and Accountability Act, as audited financial statements for the years 2003/2004 to 2007/2008 were not available. The Authority was advised to have the situation rectified at an early date.

Internal Control Weaknesses

42. Control deficiencies were noted in areas such as the preparation of salaries, blank cheques and accounts payables.

(i) Use of Telephone

It could not be determined what portion of the approximately \$6.2M incurred for telephone charges were for official purposes as proper controls were not in place.

(ii) Payment Vouchers

Payments totalling \$1,061,296 were made on estimates/pro forma invoices and several instances were noted in which payment vouchers and supporting invoices bore no certification that goods purchased were received or services rendered were satisfactorily performed.

(iii) Fixed Assets

Up to the date of reporting, the requisite fixed assets inventory records were not being maintained and fixed asset items did not have the requisite identification marks. It was recommended that corrective measures be implemented. The Authority subsequently advised that steps were being taken to address the highlighted weaknesses.

(iv) Fleet Vehicles and Fuel Cards

The controls exercised over the use of fleet vehicles and fuel cards were inadequate. Also the requisite quarterly evaluation of the operating efficiency of each vehicle was not done. Service station receipts were not returned by several officers to verify whether petrol dispensed costing \$12.4M was supplied to authorized vehicles only. Management was urged to rectify the shortcomings to ensure efficiency in the use of its resources.

Absence of Approval

43. The Authority was in breach of Section 2.02 of the Government's Guidelines to Financial Management in Public Sector Entities as there was no evidence that the contract of employment and emolument package of a senior officer received the requisite approval of the

Ministry of Finance and the portfolio ministry. I was therefore unable to verify the entitlement of certain benefits which were included therein.

Outstanding Statutory Deductions

44. At the time of audit, approximately \$229.6M was owed to the Tax Authorities in respect of the principal amounts (\$161.6M) and surcharge (\$68.0M) on Income and Education Taxes that were payable prior to June 2005. The entity was advised to settle this outstanding amount at an early date to avoid further penalties.

REGIONAL OFFICE **WESTERN PARKS AND MARKETS (WPM)**

Outstanding Revenue

45. At the time of the audit, fees amounting to approximately \$20M were owed by 279 customers for commercial garbage collection services of which \$18.3M were in arrears in excess of 90 days. There was no evidence of aggressive measures being employed to effect collection. Management was advised to rigorously pursue the collection of outstanding amounts as this could affect the entity's ability to discharge its financial obligations.

Street Sweeping Operations

46. Deficiencies were identified in the maintenance of personal files and the disbursement of wages to some 550 street sweepers. Amounts totalling \$115.5M or approximately 50% of the region's entire budget for sweeping and collection of garbage were paid to street sweepers. Corrective measures were recommended to address the weaknesses identified.

Supply of Fuel

47. I could not determine the validity of fuel charges amounting to \$6.7M as up to the date of audit, eight hundred and sixty-six (866) service station receipts were not returned by vehicle operators to verify whether petrol was supplied to authorized vehicles only. The Agency was advised to promptly resolve this matter.

JAMAICA FIRE BRIGADE

Outstanding Financial Statements

48. Up to the date of this report, audited financial statements in respect of the years 2001/2002 to 2007/2008 were not available for review. This constitutes a breach of Section 3 of the Public Bodies Management and Accountability Act and prevented a proper assessment of the Department's financial state of affairs.

Outstanding Advances

49. There was need for more effective monitoring of advances. The outstanding advances amounted to \$2,015,531 as at March 31, 2008. It was recommended that management implement proper systems to clear the advances so that the relevant charges may be made to expenditure.

Overpayment of Salary

50. Thirteen employees were overpaid amounts totalling \$27,210.11. The Department advised that \$15,364 has since been recovered.

Supply of Fuel

51. Service station receipts for petrol acquired during an eight month period at a cost of \$191,320 were not presented to allow verification of the authenticity of transactions. The Department was advised of measures to be taken to strengthen the control activities governing fuel advance cards and to submit the receipts for audit scrutiny.

Post-paid Cellular Services

52. During the period under review, approximately \$1.6M was incurred by the Department for calls made outside of its network; however, appropriate internal control systems were not implemented to ensure that the costs for private calls are recovered. Management was advised to institute a proper control system to ensure that only official calls are paid for from public funds.

Nugatory Expenditure

53. As at April 2008 the Brigade incurred dry dock fees totalling \$2.7M for its Fire Boat which has been out of service since May 2007. The Brigade was advised to regularise the situation.

Control Weaknesses

54. The controls exercised over the value book, office supplies and the preparation of the payroll were inadequate. Management was advised to strengthen the controls in these areas as failure to do so could result in errors and irregularities going un-noticed for extended periods.

Un-returned Cashed Cheques

55. Cashed cheques totalling \$49,223,250 drawn on the Brigade's accounts over the period December 2002 to August 2007 were reportedly not returned by the bank. The audit was unable to satisfactorily conclude the examination of the bank reconciliation statements, and the authenticity of payees could not be verified. Management was advised to rigorously pursue this matter with the bank.

LIFT UP JAMAICA

56. The Lift Up Jamaica Programme was designed to reduce unemployment and simultaneously improve the social and physical infrastructure within rural and urban centres of the Island.

The audit of the Programme for the year under review disclosed the following areas of concern:

(i) Advances

- a) The accounting records as at March 31, 2008 reflected outstanding advances totalling \$39,019,498 made between December 2005 and March 2008. Management of the fund was advised to clear the outstanding advances as failure to do so would prevent the determination of whether the funds were used for the intended purposes. This also had the effect of understating expenditure.
- b) Supporting documents were not presented to substantiate the clearing of advance totalling \$68,000 made to the Trelawny Parish Council.

Management was asked to present the supporting invoices for audit scrutiny.

(ii) Bank Reconciliation

The reconciliation statements for the programme disclosed several discrepancies as under:

- a) Payments/debits totalling \$238,018 including bank charges of \$65,255 noted on the bank statement were not recorded in the general ledger and were being reflected as reconciling items.
- b) Staled cheques, drawn in excess of six months with values totalling \$369,071 were included in the schedule of outstanding cheques instead of being written back to the account.
- c) The accounts of four (4) trainees employed under the Programme were credited twice by the bank resulting in overpayments totalling \$37,069. At the time of audit, there was no indication that the bank was written to in an effort to recover the amount. The entity was advised to ensure timely communication and follow-up action to resolve this matter.

URBAN DEVELOPMENT CORPORATION (UDC)

57. A test check of the financial transactions and accounting records of the captioned entity for the year under review disclosed the following matters of concern:

(i) **Audited Financial Statements**

At the time of this report, the Corporation had not submitted audited financial statements for the periods 2006/2007 and 2007/2008. This prevented a proper assessment of the Corporation's financial status and it was recommended that the situation be rectified at an early date. Management advised that steps were being taken to address this matter.

(ii) **Outstanding Receivables and Payables**

The records disclosed that as at March 31, 2008, land sales and rental receivables totalling approximately \$108.78M were outstanding for more than 90 days. Failure to collect the outstanding amounts from its debtors could adversely affect the Corporation's ability to meet its liabilities on a timely basis. The audit recommended that more stringent strategies be implemented to collect outstanding amounts. The Agency has subsequently advised that \$37.85M was collected.

(iii) **Absence of Contractual Agreement**

Payments totalling \$1,987,940 were made to five providers of security services however, valid contract agreements were not presented. It was recommended that the situation be regularized without further delay to safeguard the rights and obligations of the Agency.

SOCIAL DEVELOPMENT COMMISSION

58. The audit of the financial transactions and accounting records of the captioned entity revealed the following shortcomings:

Internal Control Weaknesses

59. Improvements were needed in the areas of procurement, maintenance of inventory records, bank reconciliations, unused receipt books, advances, loans, and fuel debit cards. Management was advised of the possible implications, and recommendations were made to correct these deficiencies.

60. (i) Fixed Assets

- a) Fixed assets acquired during the period under review at a total cost of \$2,937,383 were not reflected in the Fixed Asset Register.
- b) The original titles were not presented for three (3) properties which were under the direct control of the Commission. Consequently, ownership could not be determined.

NATIONAL COMMISSION ON SCIENCE AND TECHNOLOGY

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

PLANNING INSTITUTE OF JAMAICA

62. Despite the efforts of the Agency, full recovery of overpayment of salary totalling \$92,467 to an officer has not been made, notwithstanding the officer still being employed by Government.

HEADS 1600, 1600A AND 1600B – OFFICE OF THE CABINET

63. The audit of the accounting records and financial transactions of the captioned Office disclosed a generally satisfactory state of affairs.

Overpayment

64. A provider of janitorial services was overpaid \$700,087 due to inadequate internal checks. The Office was advised to effect recovery and improve the internal checking process to prevent recurrence. The Office subsequently advised that recovery was made.

OFFICE OF THE CABINET
PUBLIC SECTOR MODERNISATION PROGRAMME – PHASE II

65. The Public Sector Modernisation Programme Phase II, which is jointly funded by the Government of Jamaica, the UK Department for International Development (DFID) and the Canadian International Development Agency (CIDA) aims to enable the Government of Jamaica to establish an efficient, transparent and responsible public service and to improve the outcomes achieved in pursuance of its pro-poor policy objectives. The audit of the Programme for the period under review disclosed a generally satisfactory state of affairs except for the under-mentioned area of concern:

Unrecorded Assets

66. There was need for stricter control over the Programme's fixed assets as furniture and equipment costing approximately \$6.6M acquired since 2004 were not recorded in the Programme's inventory records. Recommendations were made for corrective action to be taken as this shortcoming could reduce the Programme's ability to safeguard and properly account for its assets.

MANAGEMENT INSTITUTE FOR NATIONAL DEVELOPMENT

67. The audit of the captioned entity for the year under review disclosed the following concerns:

i) Internal Control Weaknesses

Internal control improvements were required in the areas of cash receipts, blank cheques and fixed assets. These weaknesses exposed the agency to the risk of errors and irregularities. It was recommended that corrective action be taken to address these concerns. The Agency subsequently indicated that corrective measures will be taken.

ii) Accounts Receivables

The records disclosed that as at March 31, 2008, accounts receivables of \$20.7M were outstanding for more than 60 days. Failure to collect the outstanding amounts from debtors could adversely affect the Agency's ability to meet its financial obligations; it was recommended that strategies be implemented to collect the amounts.

iii) Expenditure Transactions

Payments totalling \$155,480 were made using estimates and quotations instead of the original suppliers' invoices which are required by the Financial Instructions. Management was advised to discontinue this practice as it could result in erroneous or duplicate payments.

HEADS 1700 AND 1700B – MINISTRY OF TOURISM
TOURISM PRODUCT DEVELOPMENT COMPANY

68. An audit of the financial transactions and accounting records of the Tourism Product Development Company disclosed the following shortcomings for the year under review:

Internal Control Weaknesses

69. Proper controls were not exercised over receipt log books, bank reconciliation statements, the fixed assets register, stores and the advance debit cards. Recommendations were made for corrective measures to be effected to prevent losses and abuse.

Outstanding Balance

70. Amounts totalling \$196,042 due from a former employee remained outstanding. The Company was advised to take steps to recover the amount.

BATH FOUNTAIN HOTEL & SPA

71. An audit of the financial transactions and accounting records of the above-mentioned entity for the year under review revealed the following shortcomings:

Internal Control Weaknesses

72. There was need for the strengthening of controls related to fixed asset inventory, salaries and wages, bank reconciliation statements, blank cheques and cash management. Management was advised of the possible implications, and recommendations were made for improvements.

JAMAICA TRADE AND INVEST

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

MILK RIVER BATH

74. An audit of the accounting records and financial transactions of the captioned entity for the period under review revealed the following shortcomings:

Inadequate Human Resource Records

75. The personal files of employees of the Bath did not contain pertinent information which would confirm whether persons were being paid at the correct rates and if benefits granted to employees were bona fide.

Overpayments

76. Five (5) officers were overpaid salaries amounting to \$21,133. Management was advised to effect recovery.

Internal Control Weaknesses

77. There was need for improvements in the procurement process, recording of fixed assets, safeguarding of blank cheques, receipt books and cash receipts, to avoid loss of public resources. Recommendations were made to correct these deficiencies.

HEADS 2000, 2000A AND 2000B
MINISTRY OF FINANCE AND THE PUBLIC SERVICE

78. The audit of the Ministry of Finance and the Public Service disclosed that the accounting and financial transactions for the period under review were maintained in a generally satisfactory manner. However, the following shortcomings were noted:

Overpayment of Salaries

79. Three (3) officers were overpaid salaries amounting to \$169,123 due mainly to inadequate internal check. Of this sum \$124,917 has so far been recovered.

Engagement of Consultant

80. Evidence of a formal agreement was not presented for a consultancy firm that has been engaged since February 1998 to provide financial advisory services to the Government at a fixed monthly fee of US\$6,000. The audit was not able to ascertain the deliverables and whether Government received value for the monies spent.

Tertiary Assistance Loans

81. The records showed that during the period January 2007 to January 2008, loans totalling \$28,589,194 were made to sixty-three (63) officers to attend tertiary institutions. However, there was no documentary evidence that the funds were used for the intended purposes. This is in contravention of the Government's guidelines.

PROVIDENT FUND

82. The audit of the financial transactions and accounting records relating to the captioned Fund for the year under review disclosed a generally satisfactory state of affairs.

JAMAICA CRICKET 2007 LIMITED

83. Jamaica Cricket 2007 Limited, a wholly owned Government Company was duly established in 2004, under the Companies Act of Jamaica and was designated Local Organizing Committee, with a mandate to provide a cricket stadium, certain venues, all necessary and related facilities and services within Jamaica for the successful staging of the 2007 ICC Cricket World Cup matches and events.

Grants and Loans

84. Pursuant to agreements with the Government between the years 2005 and 2006, the Company was provided with grants and loans totalling US\$5,060,598 and US\$8,000,000, respectively. These amounts were to be used for the purpose of financing the Company's 'day to day' operating expenses. It was agreed that the tenure of the loans should be for a period not exceeding twelve (12) months after the commencement of disbursement. Up to the date of this report only US\$3,785,000 had been repaid resulting in an outstanding balance of US\$4,215,000.

PETROCARIBE FUND

85. An audit of the financial transactions and accounting records of the captioned Fund for the year 2007/2008 disclosed a generally satisfactory state of affairs. However, the following concerns were noted:

Underpayment on Account

86. The rate of exchange used by Petrojam Limited to calculate amounts due to the Fund was generally lower than the spot market weighted average selling rate published by the Bank of Jamaica. As a result, the Fund was short paid approximately J\$13.6M during the period September 2007 to March 2008.

Exchange Losses

87. There was also need for improvement in the time taken by Petrojam to remit amounts due, as delay in receiving payments on a timely basis resulted in exchange losses due to devaluation amounting to J\$18,887,462. Management subsequently advised that corrective measures were being taken.

FISCAL SERVICES LIMITED

88. An audit of the captioned entity for the year under review disclosed the following unsatisfactory features:

Internal Control Weaknesses

a) **Credit Cards**

Expenditure totalling J\$38,182 was not in keeping with the Government Credit Card Policy.

b) **Meal Vouchers**

Payments totalling approximately \$3.4M were made to restaurants to redeem meal vouchers. However, there was no control system in place to properly account for all vouchers issued and paid for.

c) **Motor Vehicles**

Contrary to the Ministry of Finance's guidelines, an amount of \$568,266 for motor vehicle repairs was paid to a garage that was not on the Government's approved list. Also Ministry of Finance's approval was not obtained for motor vehicle rental costing \$19,897.

No report was made to the Ministry of Finance and the Auditor General, in keeping with the Financial Administration and Audit (FAA) Act, regarding an accident involving a motor vehicle owned by the Agency.

Contractors Levy

89. Contractors Levy amounting to \$158,845 was not deducted from payments made on two (2) contracts. This is in contravention of the Contractors Levy Act. The Agency was advised to recover the amount and remit same to the Collector of Taxes.

Breaches of Procurement Guidelines

- 90.** (i) The audit identified instances in which varying aspects of the procurement guidelines were breached for the acquisition of goods and services costing approximately \$44.2M.
- (ii) The required competitive process was not used to engage the services of three (3) consultants to provide professional services at costs amounting to approximately \$6.7M.

Procurement Breaches

91. The Government procurement guidelines were not followed in the awarding of contracts totalling US\$2,241,480 for the computerization of the Inland Revenue and Customs Departments. Contracts of this magnitude necessitate engagement of the tender process; and approvals of the National Contracts Commission and Cabinet. In the absence of the required competitive tendering the audit was unable to determine how the Company satisfied itself that the best value was obtained for monies spent.

(iii) **Statutory Deductions**

Concerns were raised with respect to the non-deduction of Income Tax from emoluments of approximately US\$2,976,400 paid to twenty two (22) representatives/employees of the overseas consultancy firms over the period January 2006 to October 2008. These persons either resided or have been residing in Jamaica for protracted periods. The Department was advised to regularize this matter with the Taxpayer Audit and Assessment Department.

Non-Presentation of Approval

92. The requisite approval of the Ministry of Finance and the Public Service was not seen for the following:

- a) Expenditure totalling \$246,012 and \$784,680 were incurred in 2006/2007 and 2007/2008 respectively for staff related functions. These far exceeded the Government's approved amount.

- b) The operation of a Group Life Insurance for the Company's 215 employees costing approximately \$198,800 per annum.
- c) Payment of subsidies totalling \$9.96M to a concessionaire for supplying breakfast and lunches to staff members.
- d) Contrary to the Ministry of Finance's guidelines, the requisite approval was not obtained for operating two (2) overdrawn bank accounts. The Agency incurred overdraft interest and penalty charges totalling \$6,650.

Overseas Travel

93. The approval of the Ministry of Finance and the Public Service was not seen for overseas trips undertaken by the Company's representatives. The cost associated with these trips, in several instances, far exceeded the Government's stipulated rates.

An officer was improperly refunded US\$721 for per diem which was reported stolen while on official duties.

Unsupported Payments

94. The necessary supporting documents were not presented to substantiate expenditure totalling US\$1,737. It was recommended that the relevant bills be produced for inspection.

Advances

95. Verification of repayments of advances totalling US\$5,000 made to the staff members was not possible due to the lack of adequate supporting information.

Unauthorised Benefit

96. An officer was provided with security services for his private residence at costs amounting to approximately \$3.95M. There was no indication that this benefit was included in the contract of employment, neither were the amounts paid subjected to Income Tax.

Overpayments

97. Two officers were overpaid salary, gratuity and per diem allowance totalling \$206,503. Management was asked to effect recovery and improve the system of internal control over disbursements. Management subsequently advised that recovery of \$25,574 was made.

Unjustifiable Expenditure

98. Payments totalling \$65,518 were made for the firearm licence for a member of staff, as well as tips, and to supply leather covered personalized appointment diaries. I was not satisfied that these payments constituted proper charges against public funds.

Improper Use of Fund

99. Of an amount of \$1.2M received as miscellaneous revenue from the rental of equipment to Cricket 2007 Limited, \$810,714 was used to reward certain staff members for their participation in the 2007 World Cup Cricket Tournament Organization without evidence of prior approval of the Board and the Ministry of Finance and the Public Service.

Consultancy Contract

100. The audit identified expenditure totalling \$182,000 which was borne by the Company to meet child care and home security expenses, locally, for an employee while she was overseas on official duties. In addition, an overseas consultant who was hired at a cost of approximately \$1.8M was sent by the Company on training, overseas, at the Company's expense. The management of Fiscal advised that this consultant eventually trained local employees, however, this did not appear to be a proper charge on public funds.

HEAD 2011 – ACCOUNTANT GENERAL'S DEPARTMENT

Outstanding Financial Statements

101. The Appropriation Account for the financial year 2007/2008 was not submitted for audit up to the date of this report. The under-mentioned financial statements, which are required by Section 24H of the Financial Administration and Audit Act, to be presented within four (4) months after the end of the financial year, were also outstanding:

	<u>STATEMENT</u>	<u>OUTSTANDING PERIOD</u>
A	CURRENT ASSETS & LIABILITIES OF THE CONSOLIDATED FUND	2006/2007 2007/2008
B	REVENUE ACTUALLY PAID INTO THE CONSOLIDATED FUND AS COMPARED WITH THE ESTIMATES	2007/2008
C	ACTUAL EXPENDITURE FROM THE CONSOLIDATED FUND	2007/2008
D	PUBLIC DEBT OF JAMAICA- EXTERNAL DEBT	2007/2008
E	ADVANCES AND LOANS FROM THE CONSOLIDATED FUND – COMPUTER LOANS	2007/2008
F	BALANCES HELD BY THE ACCOUNTANT	2006/2007

	GENERAL ON DEPOSIT AT THE END OF THE FINANCIAL YEAR AND THE OUTSTANDING ADVANCES THEREFROM	2007/2008
G	STATEMENT OF EXPENDITURE IN RESPECT OF SERVICES WHICH BY LAW ARE DIRECTLY CHARGED UPON THE CONSOLIDATED FUND	2007/2008
H	OUTSTANDING LOANS OR CREDITS GUARANTEED BY THE GOVERNMENT	2005/2006 2006/2007 2007/2008
I	RECEIPTS AND PAYMENTS OF THE CONTINGENCIES FUND	2007/2008

Internal Control Weaknesses

102. There was need for improvement in the controls exercised over miscellaneous and motor vehicle loans, advances and salaries and wages.

- (i) **Motor Vehicle Loans** – Loan repayments sometimes commenced months after the loans were granted.
- (ii) **Miscellaneous Loans** – Inaccuracies were noted in the calculation of interest payable. The audit also identified inadequacies in the monitoring of delinquent beneficiaries and the controls exercised over the loan repayment process.
- (iii) **Salaries and Wages** – Information required to complete the audit was not seen on the personal and other salary files.
- (iv) **Advances** - Inadequacies were noted in the recovery of advances. Balances from previous years were not carried forward to the current year, resulting in inaccurate amounts being reflected on the accounts.

Unpresented Cheques

103. A physical verification of blank cheques disclosed that 100 cheques were missing from stock. The Department was asked to conduct the necessary investigation and advise.

Overpayment of Salaries

104. Errors in calculation and inadequate communication between the Personnel and Salary Sections resulted in seven (7) officers being overpaid a total of \$25,426. The Department was asked to recover these overpayments.

Outstanding Advances

105. Outstanding advances amounting to \$1,004,628 remained on the accounts at the end of the financial year. Some of these balances are being carried forward from as far back as the 1999/2000 financial year. The Department was advised of the possible loss of public funds and was asked to take steps to recover these outstanding amounts.

Computer Loans

106. One hundred and twenty (120) officers were found to be delinquent with respect to their loan repayments of amounts totalling approximately \$1.4M. Non-repayment of loans adversely affects the availability of funds to future borrowers and can result in loss of public funds. The Department was asked to take steps to collect all overdue amounts.

Bank Reconciliation

107. Reconciliation of several of the Department's bank accounts remained in serious arrears. One had not been reconciled since October 2003, while others have never been reconciled. This could facilitate the concealment of errors and irregularities. The Department was advised to bring the reconciliations up to date.

Deferred Financing Transactions

- 108.** (i) Principal repayments on deferred financing loans amounted to approximately \$1.44B for the period under review. However, amounts refunded to the Consolidated Fund totalled \$3.5B, resulting in excess refunds of \$2.4B. This has the effect of overstating both revenue and expenditure. The Department was asked to address these discrepancies.
- (ii) The approval of Cabinet was not presented for a project with a contract value of \$213M which is being serviced as a deferred financing transaction. The Department was asked to have the situation regularized.

Loans/Credits Guaranteed by the Government

109. The audit of the balances appearing on the Statement of the Outstanding Loans/Credits guaranteed by the Government for the period April 2001 to March 2005, was incomplete, as the necessary supporting documents from the respective lenders were not presented for examination. Consequently, in the absence of this information the statements could not be certified.

Pension Payments

- 110.** (i) Income tax deducted from pension payments was understated by \$98,549. This could result in loss of revenue. The Department was asked to recover these amounts and remit same to the Inland Revenue Department.

- (ii) The audit was unable to determine the basis on which payments were made to eighty three (83) pensioners, whose life certificates were not seen. Nineteen (19) of these pensioners who were paid a total of \$4,958,032 had their life certificates outstanding for periods of between eleven (11) to sixty-four (64) months. Delays in the submission of life certificates may result in payments being made to pensioners who are deceased.
- (iii) The Bank Reconciliation Statements for nine (9) pension bank accounts were in arrears for up to five months. Delays in reconciling bank accounts could result in errors and irregularities going undetected for protracted periods. The Department was asked to bring these reconciliations up to date.
- (iv) Inadequate control was noted over the numerous pension cheques which were returned and remained in office for protracted periods. Up to the date of this report, five hundred and three (503) of these cheques were seen in the possession of the cashier, some of which were stale dated. The Department was advised that holding valid cheques for protracted periods could facilitate the perpetration of fraud.

Accounting for Shares

- 111.** (i) Share certificates with a total value of US\$573,000 were not included on the respective Statement; thus understating the capital investments of the Consolidated Fund. The Department was advised to correct this discrepancy.
- (ii) A difference of \$25,000,100 was identified based on a comparison of the equity reported in the financial statements of two companies when compared with the Statement of Capital Investment of the Consolidated Fund.

Public Debt

112. An audit of the statements detailing the Public Debt of Jamaica – (internal and external Debt) disclosed the following areas of concern:

(a) Discrepancies in Loan Balances

A comparison of the Statements presented by the Accountant General with those produced by the Ministry of Finance and the Public Service and also from the various lenders disclosed several differences some of which are outlined below:

i) **Internal Debt**

Table 2- Statement Difference

Balance on Statement			
<u>Instrument</u>	<u>Accountant General</u> US\$	<u>Ministry of Finance</u> US\$	<u>Difference</u> US\$
Local Registered Stock	1,213,253,675.73	361,710,232.00	851,543,443.73
Investment Debentures	2,999,999.25	-----	2,999,999.25

ii) **External Debt**

Table 3- External Debt Statement Difference

Balance on Statement		
<u>Accountant General</u>	<u>Ministry of Finance</u>	<u>Difference</u>
US\$6,495,216.72	US\$7,572,752.00	US\$1,077,535.28
£6,961,290.97	£4,721,238.00	£2,240,052.97
¥5,171,062,000.00	¥5,018,858,000.00	¥152,204,000.00
US\$14,826,800.00	US\$10,528,760.00	US\$4,298,040.00
US\$22,916,666.85	US\$24,554,716.00	US\$1,638,049.00

Table 4 – External Debt – Accountant General/Lending Agencies Difference

<u>Accountant General</u>	<u>Lender</u>	<u>Difference</u>
£ 7,050,404.42	£7,580,571.39	£ 530,166.97
£20,038,639.79	£22,049,173.76	£2,010,533.97
US\$2,432,580.95	US\$2,438,138.45	US\$5,557.50

The balances on the Statements may therefore be misrepresented. The Department was asked to investigate these discrepancies and make the necessary adjustments.

(b) Non-Presentation of Loan Agreements

Loan agreements were not seen on file for seven external loans valued at US\$2.36M, ¥10.2M, HFL 49M and €4.85M respectively. Consequently, the audit could not determine the agreed terms and conditions under which the loans were raised. The Department was asked to ensure that copies of all loan agreements are placed on file.

(c) Lodgement of Loan Proceeds

Lodgements of loan proceeds to the Consolidated Fund for twenty three (23) loans valued at JA\$13.028B, US\$92.1M, £34.9M, €25.2M, DM 7M, HFL 49M and RMB Yuan 100M were not verified, as the relevant documentations were not presented for inspection.

(d) Incorrect Interest Payment

Tax deducted from thirteen (13) interest payments were incorrectly calculated resulting in under recovery totalling approximately \$25.7M. Failure to correctly compute interest payable can result in incorrect interest payments being made as well as a shortfall in revenue collection. The Department was asked to make the necessary adjustments and advise.

Expenditure from the Consolidated Fund

113. An audit of the statement of Actual Expenditure from the Consolidated Fund Principal Bank Account disclosed a difference between the balances reflected on the statement and those appearing in the Estimates of Expenditure of approximately \$314.8M.

The audit further disclosed that withdrawals totalling \$639.6M which were authenticated by my Office were not seen on the statement. The statement therefore would not be a true representation of the transactions for the year.

There was need for improvement in the maintenance of the ledger as a number of incorrect postings, computational errors and omissions were noted. The Department was asked to investigate these discrepancies and make the necessary adjustments.

Outstanding Matter

114. Although being the subject of two (2) previous audit reports, advances totalling \$58M which were made to two Ministries in October 2002, remained outstanding up to the date of this Report.

HEAD 2012 – JAMAICA CUSTOMS

115. An audit of the financial transactions and accounting records of the captioned entity for the year 2007/2008 disclosed a generally satisfactory state of affairs.

HEAD 2015 – INLAND REVENUE DEPARTMENT (IRD)

Internal Control Weaknesses

116. Internal control weaknesses were noted with respect to motor vehicles. Log books and assignment sheets which would reflect the authority for the use of the Government's vehicles were not presented for verification. General servicing of vehicles was not carried out on a timely basis and operational efficiency record, which is a tool designed to assist management in determining whether it is economically viable to continue maintaining their vehicles, was not kept. This is in contravention of the Government's guidelines.

Intransit Lodgements

117. A register was maintained to record lodgements of cash, cheques, as well as debit and credit card payments that were not yet credited to the Department's bank account. However, the register was nineteen (19) months in arrears. Consequently, an attempt to ascertain the correctness of the outstanding lodgements totalling approximately \$54.3M proved futile

Tax arrears

118. The records of three collectorates reflected arrears of approximately \$4.16B with respect to Company, Education, Income, Property and General Consumption Taxes. Management was advised to implement more effective measures to have these delinquent taxpayers meet their statutory obligations.

Outstanding Advances

119. The audit was unable to determine the status of outstanding advances, as the respective balances of \$27,429,708 and \$15,312,958 were not carried forward at the end of the 2005/2006 and 2006/2007 financial years. As a result, subsequent repayments on several subsidiary accounts reflected credit balances for which there were no corresponding debits. It was recommended that management take the necessary steps to correct and update all the relevant records.

Salaries

120. Payments totalling \$181,746 made to two employees could not be verified as the respective claim forms to substantiate them were not presented for audit inspection.

Tax Assessments

121. The audit of the Tax Audit and Administration Department identified Income Tax and GCT assessments of \$477M and \$665M respectively, for which there was no indication of effort being made by IRD to pursue collection.

HEAD 2041
TAXPAYER AUDIT AND ASSESSMENT DEPARTMENT

122. The audit of the captioned Department for the 2007/2008 financial year disclosed the following areas of concern.

Salary Overpayment

123. Ten (10) employees were overpaid emoluments totalling approximately \$113,000 as a result of inadequate internal check. The Department was advised to improve the system of internal control over the payment of salaries and to effect recovery.

Income Tax Collections

124. (i) Income Tax Assessments

A sample of one hundred and fifty (150) taxpayers with tax assessments totalling approximately \$449.6M were examined during the calendar year 2007. Forty seven (47) of the related taxpayers' accounts were not seen entered on the computerized system for tax collectible totalling \$99.6M. There was also no indication of any action taken by the Inland Revenue Department to effect collection on eighty-nine (89) of the taxpayers' accounts posted to the system involving tax collectible of \$261.9M.

Up to the date of this report only \$44.6M or 9% of total assessments raised in the sample was collected.

(ii) Income Tax Refunds

A sample of one hundred (100) files were requested to ascertain whether refunds made were properly computed. The audit revealed that eight (8) taxpayers were over refunded amounts totalling \$562,899 as a result of inadequate internal checks. The Department reported that \$242,775 was subsequently recovered. It was recommended that more effective verification be instituted to prevent overpayments and that all amounts over refunded be recovered.

(iii) Income Tax Returns

Of a sample of one hundred (100) taxpayers' files requested for inspection, thirty (30) had not been presented up to the date of this report. The files examined revealed fifty-six (56) instances in which returns were not made in accordance with the Income Tax Act, but instead, remained outstanding for periods up to six years. In other cases, tax due amounting to \$216,361,939 remained outstanding on taxpayers' accounts up to the date of this report. The Department was asked to make available the unrepresented files and to take appropriate action to bring the delinquent taxpayers in compliance with the Income Tax Act.

General Consumption Tax (GCT)

125. (i) GCT Assessments

A sample of one hundred and fifty (150) assessments totalling approximately \$790.9M made during the year 2006 was selected, with a view to ascertain whether they were posted to the taxpayers' accounts and the respective amounts collected. Only approximately \$546.4M (69%) of those examined were posted to taxpayers' accounts and collections of \$164.4M effected. Additionally, \$6.5M of the assessments was either reversed or discharged.

(ii) GCT Returns

The audit identified errors in the computation of GCT for a taxpayer, which resulted in the tax payable being understated by \$478,483. The Department was advised to make the necessary adjustment.

Stamp Duty and Transfer Tax

126. The audit revealed a short assessment of tax payable on an estate amounting to \$33,764. The Department was advised to take steps to recover the amount.

HEAD 2042 **TAXPAYER APPEALS DEPARTMENT**

127. The audit of the Taxpayer Appeals Department disclosed that the accounting records and financial transactions for the period under review were generally satisfactory, however the following was noted:

Outstanding Debt

128. An officer who resigned from the Service with effect from August 24, 2007 remained indebted to the Government in the sum of \$1,590,585 for outstanding motor vehicle loan, overpayment of emoluments, including a 20% motor vehicle duty concession of \$1,503,622. The Department was advised to pursue all measures available to recover the amounts owing.

HEAD 2044 **TAX ADMINISTRATION SERVICES DEPARTMENT**

129. An examination of the accounting records and financial transactions of the captioned entity for the year under review disclosed the following:

(i) **Toll Calls**

There was need for improved control over the use of the Department's telephone facilities to ensure that only the cost of approved official telephone calls are met from the public purse.

(ii) **Overpayment**

Overpayment of salary totalling \$57,479 was made to an officer. This was due to inadequate internal check. It was recommended that the amount be recovered and appropriate measures be instituted to prevent a recurrence.

(iii) **Overtime Claim**

Overtime payments totalling \$50,836 were made to an employee who claimed he worked 24 hours each day for thirteen consecutive days during the period December 11 - 23, 2006. I was unable to determine how the Department satisfied itself as to the accuracy of these claims.

(iv) **Advance Debit Card**

The register that was instituted to exercise control over the receipt and issue of advance debit cards used to procure fuel for the Department's motor vehicle, was not faithfully maintained for approximately one (1) year. This constituted a breach of the Government's guidelines. Management was advised to ensure strict adherence to Government's guidelines.

(v) **Payment on Contract**

Although payments totalling \$3.3M were made in September 2007 on a contract for the erection of hoarding and temporary lighting facilities at the Queens Warehouse, up to the date of this report, there was no indication that work had commenced, and the audit was unable to determine how the funds were accounted for.

BANK OF JAMAICA

130. An audit of the financial transactions and accounting records of the captioned entity revealed the following:

Public Bodies Management and Accountability Act

131. The audit identified instances in which the action of the Bank was in contravention of the provisions of the Public Bodies Management and Accountability (PBMA) Act. However, the Bank expressed the opinion that there are inherent conflicts between the PBMA Act and the Bank of Jamaica Act. The Bank was cautioned against designing policies that contravenes the

PBMA Act and advised to comply with its provisions unless otherwise specifically stated by the Minister of Finance or the Law.

Staff Loan

Loan Approval

- 132.** (i) No evidence was presented, of the approval of the Board of Directors for loans totalling \$51M granted to a senior executive officer of the Bank. A letter was seen from the chairman of the Human Resource Committee of the Bank, indicating he had no objection to the loan and eliciting the approval of the other Committee Members. However, the response was not presented for review. Management indicated that under the Bank's current arrangement there is no specific requirement for Board or Ministerial approval. Nonetheless, the Bank indicated that steps would be taken to amend the existing procedure to include submission of all future loan applications to the Minister of Finance and the Public Service for approval.

Loan Security

- (ii) There was no evidence of the existence of a loan agreement between the Bank and the senior executive officer. Management indicated that staff members by accepting employment with the bank automatically accept the terms and conditions under which loans are granted and as such loan agreements were deemed unnecessary. It was further stated that in response to the audit recommendations written agreements would be designed and implemented.
- (iii) There was no evidence that the loans totalling \$51M were properly collateralized.

JAMAICA SOCIAL INVESTMENT FUND

133. A review of the financial transactions and accounting records for 2007/2008 disclosed the undermentioned unsatisfactory features:-

Internal Control Weaknesses

134. Deficiencies were identified in the controls exercised over credit/debit cards, blank cheques and cash receipts. These weaknesses could facilitate abuse and contribute to the loss of public funds. Management subsequently advised that corrective actions were being taken.

Contractors Levy

135. There was no indication that Contractors Levy amounting to \$28,599 was deducted from payments made on a contract as required by the Contractors' Levy Act. It was recommended that the amount be recovered and remitted to the Collector of Taxes.

Incomplete/Aborted Projects

136. The Company's audited financial statements for year ended March 31, 2007 disclosed the following unsatisfactory state of affairs in respect of twenty-two (22) projects on which work had commenced, some from as far back as the year 2000.

Table 5- JSIF Incomplete/Pending/Aborted Projects

<u>No. of Project</u>	<u>Current Status</u>	<u>Amount Approved (US\$)</u>	<u>Actual Expenditure (US\$)</u>
13	Work-in-progress*	2,483,555	2,062,446
2	Pending*	33,520	80,496
7	Aborted/cancelled	213,188	138,433

* The Agency was unable to inform the audit as to the stipulated completion dates.

A proper system was not in place to effectively monitor projects to ensure that they are completed on time and within budget. Management was asked to explain the reason(s) for the extensive delays and cancellations.

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

Outstanding Accounts

137. The Ministry was in breach of Section 24(i) of the Financial Administration and Audit Act as up to the date of this report the annual Appropriation Accounts for 2007/2008 were not submitted for audit.

Inadequacies in Motor Vehicle Controls

138. There was need for improvements in the controls exercised over the use of motor vehicles and the fuel Advance Debit Cards as the related motor vehicle log books and registers were not satisfactorily maintained in accordance with the Ministry of Finance's guidelines.

I was unable to determine the authenticity of motor vehicle related transactions amounting to \$139,489 as proper authorisation for motor vehicle use were not presented. Management was advised to address these concerns as quickly as possible as they could foster abuse.

JAMAICA DEFENCE FORCE

139. The audit of the Jamaica Defence Force for the year under review disclosed the following shortcomings:

Internal Control weaknesses

140. Deficiencies were noted in the preparation of payment vouchers, stores controls, the Jamaica Military Pay Imprest Account, the clearing of outstanding advances and the recovery of the cost of private telephone calls. Reconciliation of three of the Force's bank accounts was several months in arrears. Management was again reminded that the weaknesses identified could increase the possibility of errors and misuse of public resources; corrective actions were recommended.

Procurement Breaches

141. The audit identified the following breaches of the Government's Procurement Guidelines:

- a) Failure to obtain competitive quotes for purchases totalling \$20.26M;
- b) Conducting business with seven (7) suppliers that were not on the National Contracts Commission's (NCC) approved list of suppliers and the absence of approval from the Procurement Committee for purchases totalling approximately \$15.09M.
- c) Information on the selection process and statement of work completed was not presented in support of payments made totalling \$2.998M.

The Force was reminded that the procurement rules should be adhered to in an effort to safeguard economy, equity and transparency in the spending of public funds.

Outstanding Commitments

142. Approximately \$150M was owed in excess of ninety (90) days to suppliers of goods and services as at March 31, 2008. This contravened Section 36(1) of the Financial Regulations. The agency cited inadequate funding as a contributing factor. However, the audit also revealed control weaknesses over the budgetary and commitment process. The Force was urged to strengthen the budgetary and commitment control system to ensure that expenditure is kept reasonable, within available cash limits.

Commercial Flight Accounts

143. The records showed that at 31st March 2008 approximately \$26.77M was owed to the JDF by various agencies for commercial flights undertaken on their behalf. Management was advised to rigorously pursue the amounts outstanding.

Control over Fuel

144. Management's failure to exercise adequate controls over the dispensing of fuel exposed the system to the risk of abuse and loss of public funds.

PASSPORT, IMMIGRATION AND CITIZENSHIP AGENCY (PICA)

Internal Control Weaknesses

145. The Agency was exposed to the risk of loss due to fraud and/or improper use of Government resources because of inadequate control over the maintenance of value books; custody of cash; use of telephone and the issuing of passports to both production and applicants. Management has since advised that corrective measures were taken to address these weaknesses.

Cash Receipts

146. Application forms and the respective copy receipts were not presented to facilitate verification of amounts collected for ten (10) passports. Delays were also noted in the lodgement of cash received. The Agency was advised to have these shortcomings rectified as quickly possible.

(i) Business Continuity

In the event of disruption or major disaster, the business continuity of the Agency's operations was at risk as there was no indication of the use of an off-site back-up facility to mitigate against such risk.

PRIVATE SECURITY REGULATION AUTHORITY

147. The audit of the financial transactions and accounting records of the Private Security Regulation Authority for the year under review revealed a generally satisfactory state of affairs.

POLICE PUBLIC COMPLAINTS AUTHORITY

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

ELECTORAL OFFICE OF JAMAICA

Outstanding Financial Statements

149. Financial statements for the years 2005/2006 to 2007/2008 were outstanding at the date of this report. This constitutes a breach of the law and prevented a proper assessment of the entity's financial status.

Internal Control Weaknesses

150. Deficiencies were noted in the controls exercised over the stores, fixed assets, blank cheques, mechanically-signed cheques register, official receipts, lunch tickets as well as the value and cash books. The reconciliation of two bank accounts was in serious arrears. Recommendations for corrective measures were made.

Motor Vehicle Operations

151. The guidelines governing the use of Advance Cards for fuel purchased were not faithfully followed, consequently, the authenticity of fuel related transactions amounting to \$196,829 could not be verified.

Staff Loans

152. Contrary to the Ministry of Finance and the Public Service's guidelines staff were granted interest free loans and no collateral was obtained for some motor vehicle loans granted. Additionally, it was disclosed that in some instances unapproved variations were made to loan repayment terms. Insufficient supporting documents were presented for education loans granted totalling \$1.42M and it was revealed that disbursements were made to the employees instead of the educational institutions as required by the guidelines.

Bill of Sales

153. There was no evidence that motor vehicle loans granted were secured by way of registered liens on the vehicles, while Bill of Sales were not presented for loans granted to eight (8) officers totalling \$4.04M.

Outstanding Advances

154. At the time of the audit outstanding advances totalled \$645,346 some of which were outstanding for up to three years. Management was advised to take corrective action to reduce the entity's exposure to losses.

Overpayments of Salaries and Allowances

155. Overpayments of salaries and allowances totalling \$151,811 were made to twelve employees; the Agency was advised to effect recovery.

Procurement and Contract Breaches

- 156.** (i) Breaches of procurement guidelines were noted in the acquisition and payment for goods and services such as the non-competitive selection of a service provider and the absence of written contracts for suppliers of goods and services for amounts totalling \$242,410,539.
- (ii) Several discrepancies were identified with contracts awarded for a total value of \$32,044,535 such as the absence of liquidated damages or retention provisions and unspecified contract duration, unsecured mobilization advance and unapproved variations.

Management was asked to explained these discrepancies and ensure future compliance with the Government procurement rules.

Inadequate Payment Procedures

157. Inadequate supporting documents were provided for transactions totalling \$973,989. The entity was advised to adhere to the Government's guidelines regarding the disbursement of public funds.

Losses and Irregularities

158. One hundred and five (105) temporary polling stations were constructed for the September and December 2007 elections however, only fourteen were subsequently retrieved. The loss of the ninety-one (91) temporary stations valued at approximately \$45.5M was not reported to the Financial Secretary and Auditor General as required by the regulations.

HEAD 2622 – POLICE DEPARTMENT

Outstanding Account

159. The Appropriation Account for 2007/2008 was not received for audit up to the date of this report.

Salaries and Wages

160. A number of inadequacies were noted with the salary preparation and payment system such as misplaced personal files, the salary disbursement process and lack of evidence of internal checks of the payroll and related records.

Overpayment of Salaries

161. Overpayments were made to two (2) officers amounting to \$562,045. The Department was advised to take steps to recover the overpayments and improve the internal checking process to prevent recurrence.

Outstanding Salary Advances

162. Up to the date of this report salary advances totalling \$6.82M remained outstanding of which some balances were in excess of eight years. Management was told to take urgent steps to clear or recover the outstanding amounts.

HEAD 2624 **DEPARTMENT OF CORRECTIONAL SERVICES**

Outstanding Appropriation Accounts

163. At the date of this report appropriation accounts for 2007/2008 had not been received for audit.

Internal Control Weaknesses

164. There was need for improvement in the control activities surrounding blank cheques, mechanical cheque signing machines, value book and cash receipts. Additionally, fixed assets bought during the year at a cost of \$119,025 were not taken on inventory.

Advances and Deposits

165. The audit identified outstanding advances totalling \$2.8M and deposits with debit balances totalling \$1.6M. The Department was advised to urgently investigate these balances.

Motor Vehicle Operations

166. Non-adherence to the Ministry of Finance's guidelines for the use of the fuel advance cards and motor vehicles contributed to the Department's failure to present supporting documents to substantiate fuel related transactions totalling \$57,736. The Department was advised to comply with Ministry of Finance's guidelines as these weaknesses could facilitate abuse of public resources.

Overpayment of Salaries

167. Thirteen employees were overpaid salaries and allowances totalling \$264,385. The Department was advised to recover the overpayments and institute adequate controls to prevent recurrence.

Breaches of the Payment Procedures

168. The following breaches of the Financial Administration and Audit Act (Instructions) stipulated payment procedures were noted:

- a) Fifty-one payment vouchers totalling \$5,023,166 were not supported by original invoices.
- b) In some instances, the required certification to attest that goods were received in good condition and services satisfactorily rendered, was not indicated on payment vouchers and support documents.

Procurement Breaches

169. There was no evidence to indicate that the required number of competitive quotations was sought in relation to payments totalling \$1,454,510 to ten suppliers of goods and services. Additionally, no evidence of competitive tendering was presented for payments totalling \$13,652,296 made to the suppliers of meat and ground provisions. This prevented a proper assessment of whether the best prices were received for those goods and services. The Department was told to adhere to the Government's procurement guidelines. Management has advised that the tender process has since been engaged.

HEAD 2800 – MINISTRY OF JUSTICE

Internal Control Weaknesses

170. There was need for improvement in the procurement process as several instances were identified where payments were made without the requisite supporting documents, appropriate certification that goods were received or that services rendered were satisfactorily performed. Deficiencies were also noted in the controls exercised over blank cheques, cheque signing machine and the cheque disbursement process. These weaknesses could compromise the Ministry's ability to safeguard against improper or duplicate payments and corrective measures were recommended.

Losses and Irregularities

171. The Ministry reported that six (6) CPUs and seven (7) monitors costing approximately \$435,000 were missing. The matter was reported to the Police and I was advised that new security measures were implemented aimed at preventing recurrence.

RESIDENT MAGISTRATES' COURTS

Accounting Deficiencies

172. Audits of three (3) Court Offices for the year under review revealed the need for improvements in the maintenance of cash books, value books, receipt book registers, bank reconciliation statements, telephones and fixed assets control as well as the blank cheque registers. The weaknesses identified could result in the loss or misuse of public resources. It was again recommended that the relevant records be maintained in the manner prescribed by the regulations. The Ministry advised that corrective measures would be implemented.

Warrants, fines and Commitments

173. The records at the Courts visited disclosed 184 outstanding warrants of Distringas and Capias for violation of bail bonds and 556 outstanding commitments and fines involving approximately \$9.19M and \$17.19M, respectively, covering the period April 2005 to March 2008. Additionally, the requisite monthly returns of unexecuted warrants and outstanding fines were not made by the responsible officers to facilitate corrective action by the Courts. 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 regulations are strictly adhered to. Failure to execute warrants and carry out the orders of the Courts could result in the subversion of the course of Justice. The Ministry was again advised to institute appropriate corrective measures.

HEAD 2830 – ADMINISTRATOR GENERAL'S DEPARTMENT

Internal Control Weaknesses

174. Weaknesses were noted in the controls exercised over the payroll process, motor vehicle operations, maintenance of cash and value books, cash receipts and the stationery stores. Improvements were also needed in the maintenance of inventory records, physical inspection and marking of fixed assets.

- (i) The required certification that goods were received in good condition or services were satisfactorily performed were absent for seven payments totalling \$333,996.
- (ii) Delays in the remittance of funds collected by estate agents of up to twenty-five (25) working days beyond the five (5) days stipulated, were noted.

It was recommended that corrective action be taken to prevent losses.

Unauthorised Payments

175. Payments of a taxable ‘footage’ allowance totalling \$288,000 were made to thirty-six employees for the financial year without evidence of the requisite approval by the Ministry of Finance and the Public Service.

Outstanding Lodgement

176. An amount of US\$434 said to be lodged to the Department’s bank account remained outstanding up to the date of this report.

HEAD 2832 – TRUSTEE IN BANKRUPTCY

177. The audit of the accounting records and financial transactions of the Department for 2007/2008 revealed a generally satisfactory state of affairs. However, accounting duties were not adequately segregated and deficiencies were noted in the controls exercised over cash receipts, value book, furniture and equipment and investments. The requisite periodic evaluation of the operational efficiency of each motor vehicle operated by the department was not carried out. Failure to implement controls in these areas could allow errors and irregularities to go undetected for protracted periods. It was recommended that early corrective measures be instituted.

178. The Department was assessed by the Taxpayer Audit and Assessment Department as having a PAYE liability of \$259,375 for the period 1996 – 2006 and was advised to settle outstanding amounts promptly.

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

Outstanding Appropriation Accounts

179. Up to the date of this report, the Appropriation Accounts for 2004/2005 to 2007/2008 had not been submitted for audit. The Ministry reported that it continues to experience serious arrears in the submission of the accounting records and financial statements for several overseas Missions. Failure to submit the Accounts undermines the accountability process and prevented a proper assessment as to whether public funds entrusted to the Ministry were expended in keeping with the Appropriations Act.

Overpayment of Salaries

180. Three persons were overpaid salaries amounting to \$75,606 because of incorrect calculations. The Ministry was informed to recover the overpayments.

Un-remitted Revenue

181. Miscellaneous Revenue collected was not promptly paid over to the Accountant General's Department as required by the Financial Regulations. At the time of this report, \$1.36M collected for the 2006/2007 financial year was not remitted. This breached the law and the Ministry was advised to ensure full compliance.

Advances

182. There was no evidence of an effective system to clear outstanding advances on a timely basis. Advances amounting to \$227M for the financial years 2005/2006 and 2006/2007 remained outstanding up to the time of this report. The Ministry was advised that delays in clearing advances, increases the risk of loss of public funds and non-detection of errors and irregularities. Recommendations to improve the system of controls were made to the Ministry.

HEADS 4000, 4000A AND 4000B **MINISTRY OF LABOUR & SOCIAL SECURITY**

Outstanding Appropriation Accounts

183. The Appropriation Accounts for 2007/2008 were not received up to date of this report.

Internal Control Weaknesses

184. Deficiencies were noted in the controls exercised over furniture and equipment and the use of telephones. Corrective measures were recommended.

Expenditure Vouchers

185. (i) Overseas Travel

The necessary prior approval of the Ministry of Finance was not seen for excess per diem totalling US\$11,650 incurred to attend the International Labour Organization Convention in Geneva, Switzerland. Also, one of the representatives that attended the Convention did not refund the balance of his per diem in the currency received, contrary to the Government's guidelines. The Ministry was asked to recover excess per diem and ensure future compliance with the Government's guidelines.

(ii) Medical Services

Documentary evidence was not presented for the contractual arrangement between the Ministry and medical service providers under the Canadian Farm Work Programme for which payments totalling \$5,613,430 were made during the period under review.

(iii) **Overtime Services**

Payments totalling \$1,681,600 were made to officers of the Island Special Constabulary and Jamaica Constabulary Forces for overtime duties performed at the Ministry's East Street Office. It could not be determined how the rates were arrived at and the justification for the cheques being made payable to third parties rather than the persons performing the overtime.

Motor Vehicle Allowance

186. Contrary to the Government's motor vehicle policy, a vehicle acquired by the Ministry was assigned to a senior official who was also in receipt of motor vehicle allowance that resulted in the improper payment of \$199,045 for which recovery of the amount was recommended. The Ministry has since indicated that full recovery will be made.

Bank Reconciliation

- 187.** (i) Reconciliation of the Ministry's main drawing account was four (4) months in arrears. Outstanding reconciling items remained unaddressed. The Ministry was advised to bring the reconciliation up to date and resolve the reconciling items.
- ii) Stale-dated and cancelled cheques totalling \$213,330 and \$28,540 respectively, were included in the list of outstanding cheques for the deposit account reconciliation statements. This was in breach of the Financial Administration and Audit Act and could result in an understatement of the cash book balance.

Rehabilitation Grant Programme

188. An audit of the captioned Programme was conducted with the main objectives of ascertaining whether beneficiaries met the qualifying criteria; disbursements were made for the intended purposes; specific programme objectives were met; and payments were made to bona fide payees.

- (i) The Ministry was cautioned about the risk of improper payments being made under the programme owing to the lack of evidence that due process was being followed in determining if an applicant met the prescribed criteria prior to the disbursement of benefit.
- (ii) I was unable to conclude this audit as 25 files requested were not presented for examination. The Ministry was asked to present these files at the earliest possible time.

NATIONAL INSURANCE SCHEME

Outstanding NIS Contributions

189. Information submitted by the NIS Offices on non-compliant employers in 12 parishes disclosed that \$351,656,362 was owed for NIS contributions by 2,003 employers in respect of the years 1994 – 2007 and 1,810 employers were also delinquent in filing Annual Returns. The bank dishonoured cheques totalling \$6,258,587 received as payments for contributions from employers and bank charges of \$237,116 were incurred. Failure of employers to remit outstanding contributions and returns may deprive employees of benefits due.

Receipting and Accounting for NIS Payments

190. A test check of the receipting and accounting for NIS contributions at the St. Ann and Manchester Parish Offices revealed that the relevant correspondence did not accompany lodgements amounting to \$13.4M. A difference of \$265,151 was also noted between amounts deposited and the related credits made on the bank statements.

CANADIAN FARM WORK PROGRAMME

191. The audit of the captioned programme for 2007/2008 disclosed the following areas of concern:

Amounts Owed by Growers

192. The audit identified a difference of C\$9,054 between the Programme's balance sheet as at March 31, 2008 and the supporting records regarding amounts owed by specified growers. The Ministry was advised to investigate the matter and make the necessary adjustments to the accounting records.

Staff Loan and Advances

193. The required approval from the Ministry of Finance and Planning was not presented for the operation of the staff loan scheme. Also, in some instances the staff loan procedures conflicted with prescribed policy issued by the Ministry of Finance. The Ministry subsequently indicated that this concern would be addressed.

Analytical Review

194. A review of the Programme's Financial Statements for year ended March 31, 2008 revealed a fifty-three percent (53%) reduction in the reported surplus when compared to audited results for the period ended March 31, 2007. This occurred despite a 7.9% increase in the reported income for the financial year 2008 over the financial year 2007. For the year ended March 31, 2007 the excess of income over expenditure reduced by ten percent (10%) when compared to March 31, 2006.

Management advanced reasons for the decline, such as the opening of the British Colombia Office and the foreign exchange fluctuation factor. Nonetheless, it was recommended that proactive measures be taken to control expenditure within reasonable limits relative to income and garner the continued development and growth of the programme. The Ministry indicated that efforts would be made to address the concerns raised.

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

195. The Programme of Advancement Through Health and Education (PATH) which is jointly funded by the Government of Jamaica and the International Bank for 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 under-mentioned areas which needed attention.

(i) **Outstanding Advances**

Advances totalling \$45,811 made during the period January 2002 to February 2006 remained outstanding at the time of this report.

(ii) **Bank Reconciliation**

Reconciliation statements of the Beneficiaries Payment Bank Account highlighted erroneous debits amounting to \$20,149,772. Management was advised to rigorously pursue this matter with the bank in order to ensure recovery of the total amount.

(iii) **Control over Uncollected Cheques**

The audit noted instances of non-compliance with control procedures concerning the disbursement and return of uncollected cheques for beneficiaries. Failure to follow control procedures may result in irregularities and losses. Management was advised to take disciplinary action against persons who continue to violate the procedures.

**HEADS 4100, 4100A & 4100B
MINISTRY OF EDUCATION**

Teachers' Emoluments

196. (i) Thirty Four (34) teachers were overpaid emoluments totalling \$3.8M due mainly to a lack of timely communication of information from the regional

offices and calculation errors. It was recommended that the Ministry take steps to improve the communication system and recover the amounts overpaid.

- (ii) Personal files for eighty-five (85) teachers, salary cards for ninety-seven (97) former teachers and evidence of qualification and other relevant documents for 173 teachers were not produced for audit. This prevented verification of whether the teachers were properly engaged and were being paid the correct emoluments.
- (iii) The audit disclosed that personal deductions from salaries totalling \$4.7M were wrongly paid on behalf of 207 former teachers whose net salary cheques were cancelled, as they were not entitled to the payments. This amount should be recovered.
- (iv) Inadequacies persisted in the payment of emoluments to teachers as one hundred and four (104) cheques totalling \$4.1M were paid without either the required acknowledgement of the recipients or written authority from the payees. This practice exposed the Ministry to the risks of improper disbursements.
- (v) There was no evidence that the authenticity of certificates submitted to substantiate teachers' academic qualifications was being verified. Failure to verify academic credentials by the Ministry resulted in the employment of an officer without evidence that the qualifications presented were awarded by an accredited institution.
- (vi) There was no indication that overpayments of salaries totalling \$42.4M, mentioned in the 2005/2006 and 2006/2007 Auditor General's annual reports had been recovered.
- (vii) A sample check revealed that as at February 28, 2008, two hundred and sixty-eight (268) former teachers had breached their training bond agreements and as a result owed salary and interest charges totalling \$248.1M. There was no evidence that effective efforts were being made to recover the outstanding amounts.

Benefits of Copyright

197. Paragraph 137 (iv) of the Auditor General's 2005/2006 annual report mentioned that benefits to be derived from a contract costing CND\$35,040 per annum since 1999 for the assignment of copyright in four (4) literary works were not being realized by the Ministry. Further investigations revealed that the books were available for sale on the website of a local bookstore.

Schools' Audits

198. 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 seventy-two (72) of

the listed schools had ever submitted audited financial statements. Failure to ensure that independent audits are conducted may allow errors and irregularities to go undetected.

Bank Reconciliation

199. The reconciliation statements for five (5) bank accounts disclosed numerous unresolved errors, made by the bank over protracted periods, totalling approximately \$3.4M net. The Ministry was again advised to rigorously pursue these matters to safeguard against possible loss of public funds.

School Cottages and Flats

200. There was no indication that the Ministry had remedied the deficiencies outlined in the 2005/2006 and 2006/2007 Auditor General's annual reports regarding the absence of a housing policy and the need to implement more realistic rental rates.

Procurement of Land

201. In the 2004/2005 Auditor General's annual report it was communicated that due to the failure of the Ministry to promptly pay over the full purchase price for two parcels of lands, the vendor had enforced the terms of the agreements by charging an interest rate of 27% on the outstanding balances. As at March 31, 2005, interest charges owed by the Ministry totalled \$11.4M. There was still no evidence that effective efforts were being made by the Ministry to resolve the matter.

APPRENTICESHIP BOARD

202. The audit of the financial transactions and accounting records of the captioned entity for the year under review revealed that the cash book and reconciliation of bank statements were two years in arrears. Management was advised to take the necessary steps to correct these weaknesses.

EXCELSIOR COMMUNITY COLLEGE

203. The audit of the captioned College disclosed the following shortcomings:

(i) Outstanding Financial Statements

Up to the time of this report audited financial statements for the years ended March 31, 2005 to 2008 had not been submitted to the Ministry as required by the Education Regulation. The Ministry would have difficulties fulfilling its oversight responsibilities to assess the financial operations of the College.

(ii) Breaches of Payment Procedures

There was need for improvement in the payment process as adequate supporting documents were not presented to substantiate expenditure amounting to \$3.7M. In several instances payment vouchers totalling \$36,459 were not signed by the authorizing officer. Therefore, the safeguards against improper payments were compromised.

(iii) Breaches of Procurement Procedures

Amounts totalling \$6M were paid to a firm for security services without evidence that the required competitive price quotations were obtained. Formal contracts with the firm were not presented for audit, and there was no evidence that the attendance register was checked to verify the hours worked by the security personnel. The College was advised to adhere to Government's procurement and payment guidelines.

(iv) Internal Control Weaknesses

There were inadequacies in the controls over fixed assets, motor vehicles, stores inventory, telephone calls, and the receipt book and blank cheques registers. Failure to improve the systems could facilitate irregularities.

UNIVERSITY OF TECHNOLOGY

204. The audit of the captioned University disclosed the following areas of concern:

(i) Rental of Motor vehicle

Amounts totalling \$1.6M were paid by the University, for rental of a motor vehicle without evidence of the required approval from the Ministry of Finance. The University was advised to recover rental paid while the vehicle was being repaired and repair costs totalling \$466,922. In addition there was no evidence that a senior officer declared his interest as a director in the entity from which the vehicle was rented.

(ii) Staff Loan Policy

The required approval from the Ministry of Finance was not presented for the staff loan policy, the interest rates and loan amounts of up to \$2M. This contravened the Guidelines to Financial Management in the Public Sector.

(ii) **Breaches of Procurement Procedures**

Seven (7) instances were noted in which the procurement of services costing \$17.5M and US\$49,375 were done without evidence of compliance with the Government's procurement rules.

(iv) **Overpayment of Salaries**

An officer was overpaid amounts totalling \$478,500 because of incorrect computation.

(v) **Unauthorized Positions**

Fifty-one (51) new positions were added to the staff establishment without evidence of the required approval of the Ministry of Finance. Also, no evidence was presented that the Ministry of Finance approved compensation packages for two senior officers.

(vi) **Internal Auditor Report**

The University's internal auditors reported the absence of a formal lease agreement and failure to present evidence of disclosure of related party interest in respect of the rental of a house for a senior officer. The officer was reimbursed amounts totalling \$159,126 that were not considered appropriate charges to the University and was overpaid \$22,700.

ENHANCEMENT OF BASIC SCHOOL PROJECT
GOJ/CDB LOAN NO. 13/SFR-OR-JAM

205. 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 objective through the development of model learning environment, strengthening institutional capacity, quality improvement, which encompasses the training of early childhood education workers for certification, and public education. The Project is jointly funded by 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 of the Project disclosed the following areas of concern:

Inadequate Control Over Fixed Assets

206. There was need for stricter control over the Project's fixed assets as some assets were neither labelled nor entered on the location records. Also no repairs and maintenance record was kept.

Inadequate Control Over Distribution of Equipment and Other Material

207. No evidence was presented to substantiate that furniture, equipment, books and other learning material said to be distributed to specified schools were actually received by the relevant schools.

Nugatory Expenditure

208. The project incurred nugatory expenditure totalling \$108,305.

Variation Orders

209. No approved variation orders were presented for audit scrutiny for variations on a contract amounting to J\$4,487,910. Management was again advised to ensure stricter compliance with the Government's rules on contracts.

Construction Contract

210. The Practical Completion Certificate for the extension of the Yallah's Basic School and St. Thomas Resource Centre contract is yet to be issued. Management advised that this was a consequence of defective and unfinished works; they further indicated that a sub-contractor would be engaged to complete the work.

JAMAICA LIBRARY SERVICE

211. The audit of the financial transactions and accounting records of the Jamaica Library Service for the year under review revealed the following discrepancies:

Overpayments

212. Two (2) officers who resigned in the period under review were overpaid \$10,160. Management indicated that steps were being taken to recover the overpayments.

Procurement Breaches

213. The audit identified several instances in which the procurement of goods and services totalling \$2,250,429 was done without evidence that the required competitive quotations were obtained in keeping with established procurement guidelines.

Internal Control Weaknesses

214. There was need for improvement in the maintenance of fixed asset records and in the timely lodgement of monies collected.

COUNCIL OF COMMUNITY COLLEGES OF JAMAICA

215. The audit of the financial transactions and accounting records of the captioned entity revealed the following deficiencies.

Financial Statements

216. The financial statements of the Council for 2003/2004 were said to be with their private auditors. In addition, statements for the period 2004/2005 to 2007/2008 have not been submitted for audit, in breach of Sections 12 and 13 of the Council of Community Colleges of Jamaica Act 2001.

Internal Control Weaknesses

217. Improvements were needed in the maintenance of personal files, blank cheques, unused receipt books, cash receipts, procurement of fixed assets and the general ledger.

Fixed Assets

218. Two items of fixed assets costing \$81,441, which were recorded in the inventory record, were not provided for review.

Overpayments

219. Four (4) officers who resigned from the Council during the period under review were over paid amounts totalling \$58,989. Management was advised to recover the overpayments and to institute measures to prevent recurrence.

OVERSEAS EXAMINATION COMMISSION

220. An audit of the accounting records and financial transactions of the captioned entity for the period under review revealed a generally satisfactory state of affairs.

NATIONAL YOUTH SERVICE

221. The audit of the captioned entity for the year under review disclosed the under-mentioned areas of concern:

Breach of Procurement Guidelines

222. Payments totalling approximately \$106M were made to three (3) suppliers without evidence that the suppliers were selected on a competitive basis. There was also no indication that the National Contracts Commission (NCC) approval was received.

Erroneous Payments

223. Inadequate supervisory checks contributed to the erroneous payment of approximately \$35,000 for telephone services on behalf of a former occupant of the entity's premises. The management was advised to take urgent steps to recover the amount. The Agency subsequently advised that full recovery had since been made.

Control of Assets

224. The requisite fixed assets inventory records were not maintained. As a result items costing \$2.36M which were acquired during the period under review were not recorded therein.

Contractors Levy

225. There was no indication that Contractors Levy of \$4,446 was deducted from payments made to a contractor and remitted to the Inland Revenue Department as required by the Contractors Levy Act. It was recommended that appropriate corrective action should be taken.

HEADS 4200, 4200A AND 4200B **MINISTRY OF HEALTH AND ENVIRONMENT**

Outstanding Appropriation Accounts

226. At the time of this report, Appropriation Accounts for Capital B Head for 2006/2007 and Recurrent, Capital A and B Heads for 2007/2008 were not received for audit. This contravened the Financial Administration and Audit Act.

Internal Control Weaknesses

227. Weaknesses were noted in the controls exercised over advances, motor vehicles and payment vouchers. The Ministry was advised that the identified weaknesses could contribute to losses to the Government; corrective measures were recommended.

Salary Overpayments

228. The Ministry reported overpayments totalling \$9.1M to fifty one (51) employees. At the time of this report \$1.4M was recovered.

Breaches of Procurement Guidelines

229. Breaches of the procurement guidelines were noted in respect of four (4) contracts costing \$26.3M. There was no evidence that written agreements were made. In two instances there was no evidence that the required competitive process was used, while in one instance there was no evidence that the approval of the National Contracts Commission was obtained. It was recommended that the Ministry comply with the Government's procurement guidelines to ensure equity, transparency and economy in the use of public funds.

THE PESTICIDES CONTROL AUTHORITY

230. The audit of the captioned Authority for 2007/2008 disclosed that the financial transaction and accounting records were generally satisfactory.

HEALTH CORPORATION LIMITED (HCL)

231. The audit of the captioned entity revealed the following areas of concern:

(i) Outstanding Receivables

The records disclosed that as at March 31, 2008, Government and private entities owed HCL amounts totalling \$290.9M. Failure to collect the outstanding amounts from its debtors may adversely affect the Corporation's ability to pay its creditors on a timely basis. It was recommended that steps be taken to collect the outstanding amounts.

(ii) Board Fees

Board fees totalling \$290,000 paid to ten (10) board members were not subjected to tax totalling \$72,500. The Corporation was advised to recover and remit the amounts to the Inland Revenue Department. I was subsequently advised that full recovery was made.

REGIONAL HEALTH AUTHORITIES

Outstanding Financial Statements

232. At the time of inspection the last audited financial statements for the four Regional Health Authorities were between three to five years in arrears. It was also noted that no financial statements or annual reports had been presented to Parliament since their inception. This breached the Public Bodies Management and Accountability Act and prevented a timely assessment of the Authorities' financial affairs.

Qualified Audit Reports

233. The auditors appointed by the Regional Health Authorities qualified their reports on the financial statements as follows:

(i) **Southern Region – year ended June 30, 2005**

The auditors were unable to verify the existence of inventories amounting to \$9M and the provision for unused vacation leave amounting to \$122.8M.

(ii) **North East Region – year ended June 30, 2004**

The Authority incurred a net deficit of approximately \$82.1M and deficiency in assets amounted to \$334.3M. These conditions the auditor suggested may cast doubts on the Authority's ability to continue as a going concern.

(iii) **Western Region – year ended June 30, 2004**

The auditors were unable to verify the completeness and accuracy of inventories amounting to \$16.5M, payables amounting to \$386M and income from patient fees amounting to \$288M.

(iv) **South East Region – year ended June 30, 2003**

The Authority's accounting records did not provide sufficient evidence to support salary costs of \$8.9M and outstanding vacation leave was not accounted for in accordance with International Accounting Standards.

Internal Control Weaknesses

234. Weaknesses were noted in the controls exercised over expenditure vouchers, furniture inventory, motor vehicles, advance debit cards, bank reconciliations, salaries, stores, and cash management. Corrective measures were recommended; failure to implement these may result in loss to the Government.

Board of Directors

235. The Western Regional Health Authority has been operating without a Board of Directors since 2007. This denied the management the benefit of proper guidance and control.

Non-Remittance of Statutory Deductions

236. Improvements were noted in the remittance of statutory deductions from employees' emoluments to the appropriate agencies. However, amounts totalling \$147.5M, as detailed below, were not remitted by two Authorities to the related agencies as required by law. This breach of the relevant Acts can expose the Authorities to possible legal sanctions, as well as adversely affect employees' entitlement to certain benefits.

<u>Regional Authority</u>	<u>Amount</u>
	\$
North East	34,048,561
South East	<u>113,475,411</u>
	<u>147,523,972</u>

Overpayments and Losses

237. The Southern, Western and North Eastern Regional Health Authorities reported overpayments and losses totalling \$20.6M. There was no evidence that missing cash of \$83,000 was reported to the Police.

Table 6 – Overpayment and Losses

	<u>Overpayments</u>	<u>Losses</u>
Southern	1,069,191.00	
Western	6,820,015.00	
North East	<u>12,807,829.59</u>	<u>83,000.00</u>
	<u>20,697,035.59</u>	<u>83,000.00</u>

Information was received that \$3.9M has been recovered to date.

Breaches of Contract Procedures

238. No contracts were presented in respect of the providers of security and mortuary services within the North East Region. The Authority advised that these services were in the process of being put to tender. A contract for \$197.2M was awarded to a company in September 2007 by the Western Regional Health Authority. However, the performance bond presented was \$5.9M, instead of \$19.7M based on the 10% bond stipulated in the contract.

PHARMACY COUNCIL OF JAMAICA

239. An audit of the financial transactions and accounting records of the captioned entity revealed the need for improvement in the maintenance of fixed asset records, value book and the timely lodgement of monies collected.

NATIONAL COUNCIL ON DRUG ABUSE

240. An audit of the financial transactions and accounting records of the captioned entity revealed the following shortcomings:

Internal Control Weaknesses

241. Deficiencies were noted in the controls exercised over fixed assets, procurement of goods and services, advances and loans, cash management, and fuel advance cards. These

weaknesses could contribute to the loss of public resources. Management was advised to implement corrective measures.

Overpayments

242. Two (2) officers were overpaid a total of \$47,109 in relation to salary and gratuity payments. Management was advised to effect recoveries.

Advance payments on Gratuity

243. Three officers were granted advance payments totalling \$1,076,657 on gratuity before the end of the first year of their three-year contracts in breach of the contract requirements of payment upon successful completion of contracts. This action also contravened Ministry of Finance's guidelines.

Outstanding Advances

244. Six persons had outstanding advances totalling \$602,197 for periods in excess of a year. In addition, there was no evidence that the staff loan/advances policy was approved by the Ministry of Finance.

Board of Directors

245. The Council's Board was dissolved in March 2006 and a new board has not been appointed since, thus denying the Council proper guidance in its operations.

Fixed Assets

- 246.**
- a) Inventory records did not always contain pertinent information such as the cost of assets, acquisition dates, serial numbers assignees and location numbers and assets were sometimes not marked with the departmental codes. Management was advised of the need to improve the controls in order to safeguard the Council's assets.
 - b) An officer who was in receipt of full upkeep had possession of one of the fleet vehicles on a continuous basis. This matter has been the subject of previous audit reports.

PROFESSIONS SUPPLEMENTARY TO MEDICINE

247. An audit of the captioned entity for the year under review disclosed that the administrative and accounting functions were performed by the Ministry of Health due to irregularities discovered in the prior period. The following weaknesses were identified.

Status of Financial Statements

248. The Financial statements for the periods 2005/2006 to 2007/2008 remained outstanding up to the date of this report, in breach of Sections 7 and 8 of the Professions Supplementary to Medicine Act.

Unpresented Records

249. The general receipt books used by the Ministry of Health to record funds received on behalf of the entity were not presented for audit. In addition, no records were presented for amounts collected during the period May 24 – 25 and June 1 - 26, 2007.

MEDICAL COUNCIL OF JAMAICA

250. The audit of the financial transactions and accounting records of the captioned entity revealed a generally satisfactory state of affairs. However, there was need for improvement in the maintenance of the cash book, and timeliness of lodgements to the Council's bank account. The Council subsequently advised that corrective measures would be taken.

HEAD 7248

NATIONAL ENVIRONMENT AND PLANNING AGENCY

Outstanding Appropriation Accounts

251. Appropriation Accounts for the 2007/2008 financial year were not received for audit at the date of this report.

Internal Control Weaknesses

252. Weaknesses were noted in the controls exercised over the motor vehicle logs as the authorization, purpose of trips undertaken by fleet vehicles and odometer readings were not recorded in a number of instances. The salaries control records did not bear evidence of certification by a senior officer. Additionally, the furniture and equipment records were not properly updated and marine equipment valued at \$3.67M were not recorded in the agency's inventory. Improvements were needed in the maintenance of the value book, stationery stores and the fuel advance debit cards. The audit recommended that corrective measures be taken to reduce the possibility of abuse and the misuse of public resources.

Breaches of the Payment Procedures

253. Supporting documents for payments totalling \$4,080,772 were not cancelled with a 'Paid' stamp to prevent reuse. Weaknesses were noted in the Agency's procurement practices.

Consequently, it was exposed to the risk of making improper or duplicated payments. The Agency was advised to implement measures to mitigate this risk.

HEAD 4220
REGISTRAR GENERAL'S DEPARTMENT

254. The audit of the financial transactions and accounting records of the captioned Agency disclosed the following areas of concern:

Outstanding Accounts

255. At the date of this report, the Appropriation Accounts for 2006/2007 and 2007/2008 were not presented for examination in contravention of the law.

Internal Control Weaknesses

256. Deficiencies were noted in the controls exercised over expenditure transactions, fixed assets, motor vehicles, receipt books and blank cheques. There was also no evidence that the Agency implemented appropriate measures to allow for the verification of payments made to courier service providers although this was the subject of prior reports. These weaknesses could contribute to the loss of public resources. It was recommended that early corrective measures be implemented.

Breach of Procurement Guidelines

257. Written agreements were not presented to support payments totalling \$2,726,949 made to two (2) contractors during the period April 2006 to September 2008.

Emoluments

- 258.**
- a) Surcharge of \$3,175,618 instituted against an officer of the Agency is yet to be recovered, and no evidence was presented that an appeal was in progress. I was subsequently informed that the officer was granted approval of extension for an appeal.
 - b) Vacation leave payments totalling \$636,776 were improperly made to four (4) employees who were subsequently separated from the Agency. Also, overpayments of salary and allowances totalling \$278,427 were made to four (4) employees of the Department.
 - c) Performance incentives amounting to \$350,391 were improperly paid to sixteen (16) employees.

The Agency was advised to recover the overpayments and ensure strict future compliance with the guidelines of the Ministry of Finance and the Public Service.

Travelling Allowances

259. Contrary to the Ministry of Finance's instruction the Agency paid travelling allowances totalling \$1,727,643 to thirty-two employees for the period February – April 2008.

Travelling Expenses

- 260.** (i) Documentary evidence was not presented that contingency advances totalling US\$4,200 and CDN\$1,500 given for overseas outreach programmes were utilized for official purposes.
- (ii) Contingency advances totalling \$44,000 were made to a senior officer for local travelling expenses during the period May – December 2007. It was reported that \$31,000 was cleared in March 2008. However, no supporting information was presented to verify that expenses incurred were for official purposes.
- (iii) The Agency improperly paid private airfare costing \$7,235 for a non-employee that was subsequently repaid.

Recommendations were made to recover the unapproved payments, present the supporting invoices for the advances cleared and discontinue making payments for unofficial purposes.

Unaccounted for Receipts

261. The relevant bank statements did not reflect receipts totalling \$465,753 which were collected during the period February 2005 to January 2008. The Agency indicated that the matter was being investigated and was asked to update me on its status.

Accounts Receivable

262. At March 31, 2008, the Agency's records reflected accounts receivable balances totalling \$402,829 relating to services which were provided to customers for periods up to four years ago. Evidence was not presented that goods were received or services rendered for prepayments totalling \$834,845 made to suppliers during the years 2003 – 2004. The Agency was advised to implement measures to strengthen its collection system and ensure that goods or services paid for are satisfactorily delivered to prevent loss of funds.

HEAD 4235 – GOVERNMENT CHEMIST

263. The audit of the financial transactions and accounting records of the captioned Department for the year under review disclosed a generally satisfactory state of affairs. However, there was need for improvement in the maintenance of the furniture and equipment records.

HEAD 4300
MINISTRY OF INFORMATION, CULTURE, YOUTH AND SPORT
JAMAICA CULTURAL DEVELOPMENT COMMISSION

264. The audit of the financial transactions and accounting records of the Commission for the year under review revealed the following shortcomings:

Outstanding Financial Statements

265. Audited financial statements for the years 1998/1999 to 2007/2008 were not submitted to Parliament in contravention of the Commission's Act and the Public Bodies Management and Accountability Act. It was noted that the financial statements for 1998/1999 and 1999/2000 were submitted to the portfolio ministry in March 2008. Strict compliance with the relevant Acts was recommended.

Internal Control Weaknesses

266. Deficiencies were noted in the controls exercised over fixed assets, procurement of goods and services, staff loans, cash management, blank cheques and fuel advance cards. There was also the need to strengthen the Internal Audit Unit. The Commission was advised that these weaknesses could contribute to the loss of public resources. Management advised that measures were being implemented to correct the weaknesses identified.

Overpayments

267. Five (5) officers were overpaid salaries totalling \$172,025. Up to the date of this report \$100,310 remained outstanding.

Overdraft Charges

268. The Commission continued to operate an unapproved bank overdraft facility and incurred overdraft charges totalling \$923,089 during the financial years 2003/2004 to 2007/2008. The entity was advised to improve the cash management function.

NATIONAL GALLERY OF JAMAICA

269. The audit of the financial transactions and accounting records of the National Gallery of Jamaica revealed the following deficiencies:

Overpayments

- 270.** a) Three (3) officers were overpaid salaries totalling \$45,513 due to inaccurate salary computations. In addition, an overpayment of \$8,286 mentioned in the 2006/2007 Annual Report had not been recovered up to the date of this report.
- b) An officer was assigned a motor vehicle in contravention of Ministry of Finance and the Public Service Guidelines. Additionally, the benefit was not taxed in keeping with the Income Tax Act resulting in underpayment of tax totalling \$93,525.
- c) The requisite approval of the Ministry of Finance was not obtained for the extension of a temporary contract of employment resulting in unauthorized payments of \$186,784.

Works of Art

271. The controls over the movements of art works internally and externally were inadequate. As a result several pieces of art works owned by the Gallery that were reportedly on loan to certain Government Agencies could not be located. Management was advised to take steps to locate and account for the works.

Cash Management

272. There was need for improvement in the maintenance of the cash book and preparation of bank reconciliation statements. In addition, adequate supporting documents were not presented to substantiate the withdrawal of \$674,882 from a savings account at the Gallery.

Internal Control Weaknesses

273. Deficiencies were noted in the controls over fixed assets, procurement of goods and services and receipt books which if not addressed may contribute to loss of public resources.

NATIONAL LIBRARY OF JAMAICA

274. The audit of the financial transactions and accounting records of the captioned entity for the year under review disclosed internal control weaknesses in the areas of fixed assets, advance debit cards, bank reconciliations and advances and loans. Management was advised of the possible implications, and recommendations were made for corrective action.

Contractors Levy

275. Contrary to the requirements of the Contractors Levy Act, the two percent (2%) Contractors Levy was not deducted from a payment of \$954,525 made to a contractor.

JAMAICA NATIONAL HERITAGE TRUST

276. An audit of the financial transactions and accounting records of the Trust for the year under review revealed the following shortcomings:

(i) **Internal Control Weaknesses**

There was need for strengthening of the controls related to fixed asset inventory, salaries, advances and loans, investments and cash management. Management advised that measures were being implemented to correct the weaknesses identified.

(ii) **Advances and Loans**

An amount of \$286,394 advanced to an employee of the Trust since 2002 is yet to be recovered.

(iii) **Procurement Breaches**

There was no evidence that competitive quotations were obtained in relation to the procurement of goods and services totalling \$2,040,760 in breach of established procurement guidelines. In addition, payment vouchers were not always stamped “paid” and payments were often supported by faxes and pro forma invoices.

INSTITUTE OF JAMAICA

277. The audit of the financial transactions and accounting records of the captioned entity disclosed the need for improvement in the preparation of salaries, custody of blank cheques, management of valuables received by mail, maintenance of the fixed asset, advances and loans records. The possible adverse implications were highlighted and appropriate corrective measures recommended. Management indicated that corrective measures will be taken.

CREATIVE PRODUCTION AND TRAINING CENTRE

278. The audit of the financial transactions and accounting records of the Creative Production and Training Centre for the year under review revealed the following deficiencies:

Salaries and Wages

279. a) Up to March 2008, fourteen (14) officers were overpaid amounts totalling \$1,192,080 owing to payment of emolument above the approved salary scale for the period April 2006 to March 2008.

- b) An officer was granted accrued tax credit despite the non-presentation of a P45 form, resulting in short payments of income tax totalling \$34,061. I was subsequently advised that full recovery was made.

Procurement

- 280.**
- a) In several instances the procurement of goods and services was done without evidence that the required competitive price quotations were obtained.
 - b) There was no evidence of the National Contracts Commission's approval of an electrical installation contract for \$4,691,862 and variation of \$2,511,512.
 - c) An officer was overpaid per diem of US\$214 made for overseas travel.

Internal Control Weaknesses

- 281.** There was need for improvement in the controls over loans, salaries, blank cheques and cash management.

SPORTS DEVELOPMENT FOUNDATION

- 282.** An audit of the captioned entity disclosed the following areas of concern:

(i) **Internal Control Weaknesses**

Weaknesses were observed in the controls exercised over the fuel advance cards and the requisite quarterly operational efficiency report for each motor vehicle was not done. Inadequate controls will hinder management's ability to determine whether the Agency's resources are being used efficiently.

(ii) **Unauthorized Salary Payments**

Despite the Ministry of Finance and the Public Service's instructions to freeze the salary of specified employees; the Agency proceeded to grant salary increases to the said officers, effective January 2007. This resulted in improper payments totalling \$1,177,270, made over the period January 2007 to March 2008. The entity was advised to present the approval for the increases paid or recover the differences and ensure compliance with the instructions of the Ministry of Finance and the Public Service.

(iii) **Staff Loans**

Twenty-five (25) staff loans amounting to \$1,008,000 were disbursed without the requisite security and interest charges; while proper procedures were not followed for two loans totalling \$80,000. The entity was advised to revise its

loan policy to conform with Section 3.05 of the Guidelines to Financial Management in Public Sector Entities.

(iv) **Procurement Breaches**

Procurement of goods and services costing \$190,713 was done without evidence that the required competitive price quotations were obtained. The entity was advised to ensure compliance with the Public Sector Procurement guidelines.

(v) **Mobilization Advances**

Mobilization advances of 25% and 33% of the contract sums were paid to two contractors although the Public Sector Procurement guidelines stipulated a limit of 10%. Additionally, the amounts paid were not guaranteed by a mobilization Bond. Management was advised to ensure stricter compliance with the Government's Guidelines.

HEAD 4300
JAMAICA INFORMATION SERVICE

283. A review of the financial transactions and accounting records of the captioned agency for the year under review disclosed the following areas of concern:

i) **Key Performance Indicators (KPIs)**

- a) An assessment of the Agency's KPIs for 2006/2007 indicated that targets for three departments were not documented in the Corporate and Business Plans. Consequently, the eligibility of the officers who received performance incentive payments and the authenticity of such payments could not be determined. It was recommended that targets be clearly established, communicated and agreed by all the relevant parties; and be included in the Corporate and Business Plans.
- b) The annual report of the Agency's activities and performance for the financial year 2006/2007 was not submitted to the portfolio and Finance Ministers in accordance with Section 13.1.1 of the Financial Instructions to Executive Agencies.
- c) There was no documentary evidence to indicate that performance evaluations were done for managers and the executive director. Consequently, the audit was unable to justify the basis on which incentive payments were made to them.
- d) There was no evidence to indicate that the Chief Internal Auditor audited and certified the incentive payments as required by Government's guidelines.

Internal Audit Report

284. The Agency's Internal Audit Unit reported the following irregularities:

A total of \$19,363 was allegedly misappropriated by the Administrative Assistant at the Mandeville Regional Office by fabricating receipts, submitting false documents and the possession of stolen official receipts of a private business enterprise.

Payments of approximately \$362,000 were made to a Regional Manager by four government bodies that were accepted by him as personal payment for official jobs that he and other employees of the Agency under his supervision performed on behalf of the Agency. This was in breach of his fiduciary duty and recommendations were made by the auditor to recover the amount and institute appropriate disciplinary action.

HEADS 5100, 5100A AND 5100B **MINISTRY OF AGRICULTURE AND LAND**

285. The audit of the Ministry's Head Office disclosed that financial transactions for the year under review had been conducted in a generally satisfactory manner. However, there were some weaknesses that needed to be rectified.

Outstanding Appropriation Accounts

286. Up to the date of this report the Appropriation Accounts for the year 2007/2008 had not been presented for audit.

Outstanding Motor Vehicle Duty

287. Motor Vehicle Duty amounting to \$632,059 was not recovered from an officer who was awarded a 20% motor vehicle duty concession, but resigned before serving the mandatory three years. The Ministry was advised to make every effort to recover the amount. I was subsequently informed that recovery of \$343,550 was made.

FORESTRY DEPARTMENT

288. An audit of the captioned Department for the year under review disclosed a generally satisfactory state of affairs.

NATIONAL LAND AGENCY

Key Performance Indicators

289. The audit was unable to assess the bases on which changes were made to performance targets for the years 2005 to 2007. There was also no evidence presented that the procedures

for evaluation of the Key Performance Indicators were documented and approved by the Cabinet Office. Therefore, reliance could not be placed on the method used to assess the Agency's and employee's performance.

SUGAR COMPANY OF JAMAICA

290. The audit of the Sugar Company of Jamaica Limited revealed the following deficiencies:

(i) **Audited Financial Statements**

The most recent audited financial statements presented for the Company was in respect of the financial year 1999/2000. There was no evidence that it was submitted to the House of Representatives and of the Senate in accordance with the Public Bodies Management and Accountability Act.

(ii) **Contracts of Employment**

There was no evidence that employment contracts for four (4) senior managers and a consultant were submitted to the Ministry of Finance and the Public Service for approval. The consultant's contract had no terms of reference and the contractor failed to present the deliverables stipulated in the contract.

(iii) **Outstanding Income Tax**

There was no evidence that petrol costing \$3.8M supplied to senior members of staff and housing benefits were subjected to the relevant tax as required by the Income Tax Act. Tax due on the private use of motor vehicles to senior officers amounting to \$138,811 was not deducted. It was recommended that the tax due on all taxable perquisites be recovered and remitted to the Inland Revenue Department.

(iv) **Assets Control**

Controls over the Company's fixed assets were considered unsatisfactory, as certain inventory records were not maintained. Evidence was not presented that the appropriate procedures were followed for the disposal of assets totalling \$2.9M.

(v) **Unpresented Documents**

The relevant supporting documents were not presented for an amount of \$10M that was paid to a company. Therefore, the nature and purpose of the transaction could not be determined.

(vi) **Servicing of Debts**

The Ministry of Finance's approval was not presented for a loan amounting to US\$19.1M. The company incurred J\$10.1M and US\$224,471 in penalties as a result of late payments of its debts.

ii) **Short Lodgements**

Lodgements amounting to \$161,650.00 at the Bernard Lodge Sugar Factory for the period August 2007 to April 2008 could not be verified as credited to the Company's bank account. The audit disclosed several internal control weaknesses that may have contributed to the problem and the Company was advised to conduct an investigation into the cash system and take corrective action.

SUGAR INDUSTRY AUTHORITY

Emoluments

291. (i) The required approvals of the Ministry of Finance and Planning were not presented for emoluments paid to four contract employees, salary increases to non-contract employees, and the change of incremental dates of some members of staff. This breached the Guidelines to Financial Management in Public Sector Entities and Section 20 of the Public Bodies Management and Accountability Act.

(ii) Statutory deductions amounting to \$225,613 were not made from the emoluments of three officers and evidence was not presented that tax amounting to \$1.7M due on gratuity payments to a senior officer was paid to the Inland Revenue Department, as stipulated in his contract.

(iii) Salary and gratuity payments amounting to \$3M, made to a contract employee, could not be substantiated by a contract.

Breaches of Procurement Guidelines

292. In eight instances the procurement of services costing over \$6.8M were done without evidence that the Government's procurement guidelines were adhered to. It was recommended that existing contracts should be put to tender in the prescribed manner and the approvals of the National Contracts Commission be obtained for two of the contracts.

Disposal of Assets

293. Assets valuing \$4.3M were disposed of during the period under review. There was no evidence that the Government's guidelines on disposal were adhered to. Therefore, it could not be determined whether the process was equitable and a fair value was received. The Authority was advised to ensure that the guidelines are adhered to in the future.

Overseas Travel

294. Evidence was not presented that expenditure amounting to \$11M for overseas travels during the financial years 2006/2007 and 2007/2008 were for official purposes.

Expenditure incurred on Behalf of Portfolio Ministry

295. Payments totalling \$1.4M were made on behalf of the Ministry of Agriculture in breach of the Ministry of Finance's guidelines. This not only understated the Ministry's expenditure, but also by-passed Parliamentary controls. The Authority was advised to seek prior approval from the Ministry of Finance for expenditure on behalf of the Ministry.

Consultant Contract

296. There was no evidence that the required competitive process was used to engage a consulting company which was paid amounts totalling \$5.3M. The contract did not specify the deliverables, and invoices on which payments were made did not indicate the work done and the number of hours worked. Therefore, there was no assurance that value for money was received. It was also noted that the Authority provided the company with a fully maintained motor vehicle in breach of the Ministry of Finance's guidelines which stipulate that a Government entity should only incur expenses related to its own business. The entity was advised to adhere to the Government's procurements guidelines for the renewal of the next contract and ensure that the contract is submitted to the Board of Directors and National Contracts Sector Committee for their approvals.

Motor Vehicle Control

297. There was need for improvement in the controls exercised over the entity's motor vehicles as the related asset register and log books were not maintained and there was no evidence that trips undertaken were approved. Two motor vehicles were involved in accidents for the period under review. However, it could not be determined who was liable. The Authority was advised to implement an inventory system, to ensure that all trips undertaken are approved and that accidents are investigated and documented.

Unexplained Expenditure

298. Amounts totalling \$133.6M were disbursed to Harvesting Committees and the Ministry of Works to finance repairs to cane roads. However, it could not be determined whether the monies were used for their intended purposes as the required statements with supporting documents were not presented for audit.

Long Term Loans

299. A loan of \$100M to the Jamaica Cane Product Sales Limited to provide loans to farmers was not repaid within the time specified in the loan agreement as the repayments from farmers were used as a revolving scheme contrary to the loan agreement.

Loans to Employees

300. There was no evidence that a loan policy existed for the operation of a staff loan scheme and the Ministry of Finance's approval for the training and development loan policy was not presented. In addition, there were evidences of abuse of the facility. This included purchases of foreign exchange for a senior executive amounting to J\$816,960. Recommendations were made for the improvement of the loan facility to protect the entity from exposure to losses.

Internal Audit

301. The Authority did not have an internal audit unit to review its internal controls and an audit committee was not in place to monitor its control systems. The Authority was advised to establish an internal audit unit in relation to its size and complexity and to establish an audit committee to which the internal auditor should report.

AGRICULTURAL DEVELOPMENT CORPORATION

302. Up to the time of this report, audited financial statements were still outstanding for the years 2004/2005 to 2007/2008. This contravened the Public Bodies Management and Accountability Act and prevented a proper assessment of the Corporation's state of affairs.

JAMAICA 4-H CLUBS

303. An audit of the accounting records and financial transactions of the captioned entity revealed the following deficiencies:

Unauthorised Employment

304. There were numerous instances in which persons were employed, in posts which were not on the Club's Establishment, without the prior approval of the Ministry of Finance and the Public Service.

Salaries and Wages

- 305.**
- a) Travelling allowance totalling \$200,040 per annum was made to an officer who was not a designated travelling officer.
 - b) Two officers were overpaid \$8,290 as a result of errors in the computation of their emoluments.
 - c) Five members of staff were paid salaries in lieu of vacation leave totalling \$542,038, although the officers had not earned the maximum accumulable leave required for such payments.

Breach of Procurement Rules

306. No evidence was presented that competitive quotations were used as the basis for the selection of suppliers of goods and services costing \$2,195,868, as required by the Government's procurement guidelines.

Internal Control Weaknesses

307. There was need for improved control over advances, fixed assets, bank reconciliations, cash receipts and debit cards for fuel. Management was advised of the possible implications, and recommendations were made for improvements.

JAMAICA VETERINARY BOARD

308. The audit of the financial transactions and accounting records of the captioned entity disclosed a generally satisfactory state of affairs. However, there was need for improvement in the controls over blank cheques, cash receipts and the procurement process. In addition, the relevant taxes were not deducted at source from payments made on board fees and invigilating services provided.

HEADS 5200, 5200A AND 5200B **MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE**

Outstanding Appropriation Accounts

309. At the time of this report the Appropriation Accounts for 2007/2008 were still outstanding.

JAMAICA BUSINESS DEVELOPMENT CENTRE

An audit of the captioned entity revealed the following:

Internal Control Weaknesses

310. Deficiencies were noted in the controls exercised over expenditure transactions, and the fixed assets register. It was recommended that steps be taken to promptly address these inadequacies as the entity could be exposed to losses. Management advised that steps were being taken to address the shortcomings.

Contractors Levy

311. There was no evidence that the required 2% Contractors Levy amounting to \$19,780 was deducted and remitted to the relevant authority.

Overdraft Charges

312. For the period under review, overdraft charges amounting to \$51,694 were incurred in contravention of the Guidelines to Financial Management in Public Sector Entities.

Use of Credit Cards

313. The audit revealed that the entity was in breach of the approved credit card limits allowed by the Ministry of Finance.

ANTI-DUMPING & SUBSIDIES COMMISSION

314. The audit of the financial transactions and accounting records of the captioned entity revealed the following deficiencies:

Outstanding Issues

- 315.**
- a) An officer who was granted a scholarship valued at \$886,080 only served one year out of a five-year bond before resigning. Management indicated that steps were being taken to resolve the matter.
 - b) Gratuity of \$710,915 which was paid to an officer, who served only sixteen months out of a three-year contract, had not been recovered up to the time of this report. The payment contravened Ministry of Finance's guidelines.

Control Weaknesses

316. There was need for improvement in the procurement process, maintenance of the fixed asset records, loans to employees and control over blank cheques to ensure conformity with established guidelines and best practices.

HEAD 5238 **COMPANIES OFFICE OF JAMAICA**

Internal Control Weaknesses

317. Deficiencies were noted in the areas of expenditure transactions, cashed receipts, fixed assets management, and staff loans which could contribute to loss of public funds. Recommendations were made for corrective measures to be taken to address these concerns.

Procurement Breaches

- 318.** (i) A written agreement was not presented for the engagement of a contractor to enhance the Agency's website at a cost of \$900,000. This compromised the Agency's ability to claim for damages should the contractor default on his obligations.
- (ii) A procurement contract with payments totalling \$497,721 to install network infrastructure was entered into with a supplier who was not registered with the National Contracts Commission (NCC). Also, a valid Tax Compliance Certificate (TCC) was not presented as required.

Recommendations were made for the Agency to comply with the Government's procurement guidelines which are intended to facilitate transparency.

HEAD 5239 **POST AND TELECOMMUNICATIONS DEPARTMENT**

Bank Reconciliation

319. Permission was given by the Ministry of Finance and the Public Service to open a new salaries bank account in April 2006 due to the chronic arrears in the reconciliation of the old bank account. At the time of audit the reconciliation of the new bank account was sixteen (16) months in arrears. Again, the Department was advised of the increased risk of delayed detection of errors and irregularities and encouraged to have the situation resolved promptly.

HEADS 5900, 5900A AND 5900B **MINISTRY OF MINING, ENERGY AND TELECOMMUNICATIONS**

General Comments

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

PETROLEUM CORPORATION OF JAMAICA

321. The audit of the Petroleum Corporation of Jamaica disclosed the following areas of concern:

Security Services

322. Payments amounting to \$1,924,800 were also incurred for security services at a Community Centre during the period August – December 2006. The Corporation's interest in the Community Centre could not be ascertained.

Accounts Receivable

323. The audit revealed that twenty-three (23) tenants owed fees to the Corporation for rent and maintenance totalling \$37,781,374 as at July 31, 2008. Included in this amount were seventeen (17) tenants with arrears amounting to \$29,139,568 that were over ninety days. The Corporation was asked to indicate the extent to which these balances were collectible and the effort being made to recover the amounts. The Corporation subsequently advised that \$2,214,602 has since been recovered.

Staff Loans

324. Loans totalling \$6,234,250 that were granted to five (5) employees during the period June 2003 – September 2007 remained dormant for protracted periods; at July 31, 2008 the outstanding balances totalled approximately \$3,293,577. The Corporation subsequently advised that \$715,571 was collected from the relevant officers.

Emoluments

- 325.** (i) There was no evidence that the Government's procurement procedures were followed in the engagement of a consultant for a fee totalling \$4,761,124.
- 326.** (ii) An individual was granted full sponsorship to pursue a doctoral solar research project with funding amounting to £59,600 (J\$7M). There was no evidence of Board approval or documentation that the Corporation would share in the intellectual property rights of the project.

E-LEARNING JAMAICA COMPANY LIMITED

327. The audit of the captioned Company for the year under review disclosed a generally satisfactory state of affairs. However, the following shortcomings were noted:

Consultancy Contract

328. The Company engaged the services of an Information Technology Consultant to supply specified deliverables within six (6) months. The records revealed that the consultant received three (3) payments amounting to \$480,000 of the contract sum of \$600,000 after completing only two (2) of the eight (8) deliverables agreed on. The contract was subsequently terminated after duration of sixteen (16) months on the grounds of failure to produce the required deliverables.

Loans and Salary Advances

329. Interest-free loans were granted to four (4) employees contrary to the Ministry of Finance's guidelines which stipulate that an interest rate of 8% per annum should be charged on all loans made by public sector entities. The Company was asked to comply with the Government's guidelines.

UNIVERSAL ACCESS FUND COMPANY LIMITED

330. An audit of the captioned Company disclosed the following areas of concern:

Internal Control Weaknesses

331. Improvements were needed in the control exercised over fixed assets, bank reconciliation statements, staff loans and expenditure transactions. The Company was advised to take the necessary steps to safeguard its assets and conform to Government's guidelines.

Custody of Collections

332. There was no evidence of a written agreement between the Company and an individual who was paid \$126,400 for services rendered as a bearer of its funds during the year under review. The Company was advised to adequately secure the custody of its collections and deposits.

HEADS 6300, 6300A AND 6300B **MINISTRY OF WATER AND HOUSING** **RURAL WATER SUPPLY LIMITED**

333. Rural Water Supply Limited previously named 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.

Financial Statements

334. Up to January 2008, there was no indication that the audited Financial Statements and Annual Report for the year ended 31st March 2006 were submitted to the Portfolio Minister for presentation to the Houses of Parliament as required by the Public Bodies Management and Accountability Act.

Emoluments

- 335.** (i) There was no evidence of Ministry of Finance's approval for 15 members of staff to have a portion of their salary treated as rental allowance; this had the effect of reducing their tax liabilities.
- (ii) There was no evidence that the necessary approvals were obtained from the Ministry of Finance and the Public Service for payments of lunch, security, laundry and uniform allowances totalling \$827,865 per annum.
- (iii) Overpayments totalling \$212,595 which were made in 2002 was being recovered over a period ranging between 22 – 25 years. An assessment of the repayment period indicated this recovery time would exceed the officers' expected dates of retirement. The company was advised to revisit this matter to secure the recovery of public funds in a timely manner.

Travelling Officers

336. Paragraph 197 (vii) d of the Auditor General's Report for the financial year ended 31st March, 2005 indicated that two officers who were in receipt of motor vehicle allowances of \$334,000 per annum were also assigned advance debit cards with monthly expenditure limits of \$10,000 and \$15,000 respectively for the supply of petrol. The Ministry of Finance in July 2006 denied the request for approval for this arrangement and instructed recovery of the fuel cost in full, the cancellation of the advance cards with immediate effect and reverting of the motor vehicle allowance to the approved rates. However, the cards were not cancelled until March 2007 and the amount of \$970,566 incurred was not recovered.

Statutory Deductions

337. At January 2008, statutory deductions made from employees' emoluments, over the period January 2005 to March 2007, totalling \$13,838,796 had not been remitted to the relevant agencies

Bank Reconciliation

- 338.** (i) Reconciliation of three bank accounts was in arrears ranging between six to nine months.
- (ii) An amount of \$40,478 was carried on the reconciliation statement as 'difference due to bank statement not received in August 2006.' There was no evidence that the bank was asked to supply the related statement.
- (iii) **Unauthorized Bank Overdrafts**

Interest charges and overdraft fees totalling \$49,642 were incurred on unauthorized overdrafts on two (2) bank accounts.

Inadequate Motor Vehicle Control

- 339.** (i) The stipulated log books and operational efficiency records for five (5) of the entity's motor vehicles were not presented.
- (ii) A motor vehicle was sent to an unapproved garage in June 2002 to effect repairs. An estimate prepared by the garage in November 2002 valued the work at \$401,197. The garage presented a bill to the agency in June 2007 for storage fees for the period June 2002 to June 2007 totalling \$638,750. The vehicle was valued in August 2003 for \$130,000. The Agency was asked to indicate how this matter would be resolved.

Non-Deduction of Income Tax

340. An officer was assigned a fully maintained motor vehicle valued at \$1,625,000. There was no evidence that Income Tax amounting to \$25,000 per annum was deducted for the private use of the assigned vehicle. The agency was advised to have this matter regularized and recover the tax due in keeping with the Law.

Fuel Advance Cards

341. Receipts for petrol acquired for an assigned motor vehicle at a cost of \$361,574 were not presented to allow verification of the authenticity of the transactions.

Credit Cards

342. Paragraph 197 (vi) of the Auditor General's Annual Report for financial year ended March 2005, highlighted breaches in the use of credit cards held by three officers of the Company. It was noted that the facility was terminated in December 2005. However, expenditure of \$564,000 which was incurred remained on the books as a part of the Company's receivables.

HEADS 6500, 6500A & 6500B **MINISTRY OF TRANSPORT AND WORKS**

Motor Vehicles and advance Debit Cards

343. The log books and operational efficiency records of the Ministry's motor vehicles were not presented, neither were the receipts for petrol acquired during April to December 2007, which amounted to \$222,417.

PORT SECURITY CORPS LIMITED

344. The audit of the accounting records and financial transactions of the captioned agency for 2007/2008 revealed the following short comings:

(i) **Emoluments**

There was no evidence that the Ministry of Finance and the Public Service gave approval for a portion of the salaries of ten members of staff to be treated as rental allowance thereby reducing their tax liabilities.

(ii) **Un-remitted Statutory Deductions**

At the time of audit PAYE and Education Tax deductions amounting to approximately \$82.3M made from employees emoluments over the period May 2001 to March 2005 were not remitted to the relevant authorities. In addition, the Corps is indebted to the National Housing Trust for the period January to December 2003, for an amount totalling \$6,106,120.

(iii) **Service Contracts**

At the time of audit, there was no evidence that two service contracts which had expired, were renewed. In addition, the competitive tender process was not evident.

(iv) **Motor Vehicle**

The records indicated that the Ministry of Finance gave approval for the disposal of a motor vehicle in 2006. However, at July 2008 the Corps had not disposed of the vehicle and had incurred storage fees amounting to \$70,927.

(v) **Fuel Advance Cards**

The amount of \$137,609 for fuel supplied to the Corps' vehicles could not be verified as the supporting receipts were not presented.

THE NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LTD.
(NROCC)

345. The National Road Operating and Constructing Company Ltd. (NROCC) is a state owned company which was incorporated on February 2, 1995 under the name of National Road Conservation Company Ltd. domiciled in Jamaica. The Company changed its name to NROCC on May 22, 2000 and commenced operations in February 2002. The Company was granted a concession under the Toll Roads Act 2002 for the establishment, development, financing, operation and maintenance of a tolled highway. It is authorized to design, finance, construct, maintain and operate Highway 2000 and to levy, collect and retain tolls with respect to toll road usage.

The audit of the financial transactions and accounting records of the Company for the year under review revealed the following deficiencies:

(i) **Audited Financial Statements**

The audited financial statements for the periods 2003/2004 to 2006/2007 were submitted to the Portfolio Ministry as required by Section 3 of the Public Bodies Management and Accountability Act. However, they are yet to be submitted to the House of Representatives and of the Senate in keeping with Section 3 of the same Act.

(ii) **Non-establishment of Committees**

The Company had not established a Procurement, Finance and Audit Committee as required by the Public Sector Procurement Guidelines and the Public Bodies Management and Accountability Act.

(iii) **Breach of Motor Vehicle Policy**

Contrary to the Government's Revised Comprehensive Motor Vehicle Policy, an officer was assigned a fully maintained motor vehicle. The Company was advised to regularise the breach.

ROAD MAINTENANCE FUND

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

(i) **Un-presented Statements**

Up to the date of this report there was no indication that the Fund's audited financial statements for 2006/2007 were submitted to Parliament as required by the Public Bodies Management and Accountability Act and the Road Maintenance Fund Act.

(ii) **Outstanding Payables**

The records disclosed that as at January 31, 2008, the Agency owed \$101,383,165 to its creditors of which \$54,974,709 was owed to the National Works Agency for management fees. The Fund's management indicated that \$20.6M has since been paid.

THE NATIONAL ROAD SERVICES IMPROVEMENT PROGRAMME (NRSIP)

347. The National Road Services Improvement Programme is a joint project between the Inter-American Development Bank and the Government of Jamaica. The agreement which commenced in November 2006 was scheduled to be executed over a period of three years and

involves five parishes. The programme is financed by IDB and GOJ 54% and 46% respectively. The Government of Jamaica counterpart funding is done by the Road Maintenance Fund.

A review of the management of the Fund disclosed the following unsatisfactory features:

- a) No evidence was presented to suggest that representatives from the Fund were included in the NRSIP meetings or in the management of the programme.
- b) There was no indication that the Fund managers undertook site inspections of the works said to be completed. Consequently, I could not determine how management satisfied itself that value was received for the expenditure of \$299,985,678.

Contracts

348. Copies of contracts, undertaken by the National Works Agency and financed by the Fund were not presented for audit review.

WATER RESOURCES AUTHORITY

349. An audit of the captioned entity for the year under review revealed a generally satisfactory state of affairs. The few weaknesses identified were subsequently corrected.

FLOOD DAMAGE REHABILITATION PROGRAMME

Breaches of Contract Procedures:

350. An examination of certain contracts under the Flood Damage Rehabilitation Project revealed the following shortcomings:

(i) Dry River Bridge - Portland

- a) A contract valued \$18,695,846 was awarded to undertake works on the Dry River Bridge in Portland without evidence that limited tenders were invited from the National Contracts Commission's list of registered contractors. This constituted a breach of the Ministry of Finance and the Public Service's guidelines.
- b) There was no evidence that the requisite performance bond was obtained. In addition, there was no evidence that the insurance coverage of \$3.5M was executed by the contractor. In the absence of the performance bond and insurance coverage, the Ministry was exposed to financial risk in the event that

the contractor failed to perform satisfactorily or in case of death and injury to third parties.

- c) There was no evidence that the Contractors Levy of \$343,109 was remitted to the Inland Revenue Department.

(ii) Retaining Wall, River View - Portland

The required Performance Bond of ten percent (10%) was not presented for contract valued at \$9,334,190 to construct a retaining wall at River View, Portland.

(iii) Gabion Retaining Wall – St. Christopher to Glengoffe, St. Andrew

- a) There was no evidence of Cabinet approval for the awarding of a contract valued at \$17,022,023 to construct a retaining wall from St. Christopher to Glengoffe in St. Andrew.
- b) The performance bond represented only 1.5% of the contractual sum instead of the 10% stipulated in the contract.
- c) It was disclosed that the drawings for the Project were not approved prior to commencement. The original design was changed from a Gabion retaining wall to a Random Rubble Wall. This gave rise to variation costs of \$14,238,779, increasing the contract sum to \$31,260,803, an increase of 84%. At the time of this report the Project was not completed. Management was reminded that inadequate assessment of work sites, and improper planning of projects, could result in financial losses.

(iv) Sandy Gully Project

There was no evidence that Cabinet approval was granted for the award of two contracts valued at \$42,021,282 and \$20,871,576 under the Emergency Flood Damage Repairs for the Sandy Gully Project.

ARTERIAL ROADS PROGRAMME

Breaches of Contract Procedures

351. An examination of the Contracts under the Arterial Roads Programme revealed the following shortcomings:

- (i) A contract valued at \$28,920,779 was signed in November 2007 for the widening of the Constant Spring Road. The National Works Agency site diary revealed that the work commenced in October 2007, some forty two (42) days prior to the signing of the contract.

- (ii) There was no evidence of Cabinet approval for a six week contract valued at \$88,449,060, to resurface roads in the Half Way Tree area. The audit was unable to determine whether this contract was completed within the stipulated time frame as the contract commencement and completion dates were not indicated. In addition, at the time of this report, Contractors Levy totalling \$1,477,463 was not remitted to the Inland Revenue Department.

HEAD 6550
NATIONAL WORKS AGENCY

Internal Control Weaknesses

352. Weaknesses were noted in the control activities governing the preparation of payment vouchers, telephone register, furniture and equipment and inventory records for motor vehicles and heavy duty equipment. It was recommended that steps be taken to address these inadequacies promptly as they could expose the Agency to losses.

Outstanding Receivables

353. The records revealed that at March 2008, outstanding receivables totalled \$585,821,985. The Agency was reminded of the negative impact this will have on its effective operation and advised to take steps to collect outstanding amounts.

Outstanding Payables

354. The Agency's operation account and project account reflected, as at March 31, 2008, outstanding payables totalling \$231,064,569 and \$132,009,145 respectively; this included payables outstanding since 2002. The Agency was reminded of the requirement of the financial regulations to settle debts with suppliers within thirty (30) days of receiving goods and services. The Agency subsequently advised that approximately \$69.6M was settled.

Advance Debit Cards

355. Payments made for petrol acquired during the period April 2007 to March 2008 totalled \$14,053,319. However, receipts presented only allowed verification for amounts totalling \$5,023,346.

Reported Losses

356. During the year under review the Agency reported the following losses:

- a) A disabled Aveling Barfarod Steel Wheel Roller was stolen from its location in St. Elizabeth. The matter was reported to the Police;
- b) Two Back Hoes and a Vibration Roller were stolen from the Agency's compound in Buff Bay, Portland. The matter was reported to the Police.

- c) A laptop computer assigned to a project manager was stolen from his home.

KINGSTON AND ST. ANDREW CORPORATION

357. The audit of the Kingston and St. Andrew Corporation for 2007/2008 disclosed the following:

Financial Statements

358. Up to the time of this report the financial statement for the year, 2007/2008 remained outstanding.

Telephones

359. There continued to be unsatisfactory controls exercised over the use of private telephone lines assigned to officers. During November 2007 to January 2008, there was no indication on the telephone bills whether calls made were private or official. I was therefore unable to ascertain whether calls costing \$88,682, that were made on 19 private lines including one assigned to Sabina Park, were official. Management was advised to determine the nature of the calls and recover the cost associated with same. The Corporation subsequently advised that corrective measures were being taken.

Motor Vehicles

360. An examination of the maintenance of the motor vehicle inventory records revealed the following unsatisfactory features:

- (i) Quarterly efficiency reports were not presented.
- (ii) Debit cards for two vehicles were left at a gas station for at least seven months and debit card receipts were not provided for verification of transaction statements.
- (iii) Two unserviceable vehicles remained on the MCI System and incurred nugatory charges of \$6,496.
- (iv) Fuel costing \$10,143 was purchased for a vehicle not seen on the list of official vehicles of the KSAC.

The Corporation was advised to adhere to guidelines issued by the Ministry of Finance and the Public Service and recover fuel cost associated with the privately owned vehicle.

Overpayment of Salaries and Allowances

361. Overpayment of salaries and travelling allowances amounting to \$344,074 were made to five officers. The Corporation subsequently advised that recovery would be made.

ST. CATHERINE PARISH COUNCIL

362. The audit of the captioned entity for the year under review disclosed the following areas of concern:

(i) **Rental of Properties**

The records revealed that the Council was owed amounts totalling \$542,695 for rental of properties.

(ii) **Contract**

There was no evidence of a formal contract between the Parish Council and a contractor for the operation of the Spanish Town Bus Terminus.

TRELAWNY PARISH COUNCIL

363. The audit of the financial and accounting records of the Trelawny Parish Council disclosed the following areas of concern:

(i) **Procurement and Procedural Breaches**

- a) There was no evidence of the Procurement Committee's approval for two (2) contracts to supply construction materials costing \$370,383. The Council failed to present competitive price quotations in the awarding of a contract valuing \$357,227 for electrical repairs.
- b) Four (4) payments totalling \$133,996 were not supported by suppliers' bills or invoices.
- c) Contractors Levy was not deducted from a payment of \$235,000 to effect road works. This violated the requirements of the Contractors Levy Act and could result in the imposition of penalties.

The Council was advised to adhere to established guidelines.

(ii) **Arrears of Rental Revenue**

The records reflected outstanding rentals amounting to \$1,364,795, owed by lessees of the Council's properties. It was recommended that effective measures be implemented to recover the amounts owing.

(iii) **Internal Control Weaknesses**

Improvements were needed in the controls exercised over the value book. In addition, the inventory records were not updated to reflect fixed assets acquired costing \$1,201,890. It was recommended that these records be updated regularly to maintain effective control over the Council's assets.

MANCHESTER PARISH COUNCIL

364. The audit of the financial transactions and accounting records of the Council revealed deficiencies in the authorization and approval procedures governing the disbursement of funds; this exposed the Council to the risk of unauthorized expenditure.

(i) **Arrears of Revenue**

At the time of audit the records reflected that arrears for rent totalling \$824,971 were owed to the Council. The Council advised that \$239,060 was subsequently collected.

(ii) **Overpayments**

Salaries amounting to \$366,087 were overpaid to certain councillors due to incorrect salary computation.

(iii) **Outstanding Butchers' Licence Fees**

At the time of the audit, the accounting records reflected amounts totalling \$117,400 as owing by butchers. The Council was asked to indicate the steps being taken to collect the outstanding amounts.

CLARENDON PARISH COUNCIL

Contractors Levy

365. There was no evidence that Contractors Levy totalling \$779,439 was remitted to the Inland Revenue Department. In addition, incorrect calculation of Contractors Levy resulted in the under-deduction of \$38,513. The Council was advised to comply with the applicable Act.

Procurement Breaches

- 366.** a) There was no evidence of competitive price quotes for contracts, amounting to \$424,785, awarded to three (3) contractors.
- b) The tender process was not evident in the awarding of two (2) contracts valuing \$3.5M, to effect drain cleaning, which were awarded outside of Council's session.
- c) The Council's records revealed that four (4) contracts totalling \$1,555,542 were approved after the commencement of work.
- d) There was no evidence that written contracts were in place for the provision of services rendered by three (3) contractors totalling \$802,092. The Council advised that corrective action would be taken to ensure compliance with Government Procurement Guidelines.

Rental of Properties

367. The rent receivables register showed arrears totalling \$1,895,964. The Council was advised to collect the outstanding amounts.

WESTMORELAND PARISH COUNCIL

368. The audit for the year under review indicated a generally satisfactory state of affairs. However up to the date of this report, arrears of rental totalling \$1.7M were reflected as owed by lessees of the Council's properties.

ST. ELIZABETH PARISH COUNCIL

369. The audit of the St. Elizabeth Parish Council for the year under review disclosed the following unsatisfactory features:

(i) **Annual Financial Statements**

The annual financial statements for the years 2006/2007 and 2007/2008 were not presented for examination.

(ii) **Arrears of Lease/Rental**

The records reflected that the Council was owed arrears of property rental totalling \$2,471,273.

(iii) **Unremitted Contractors Levy**

There was no indication that Contractors Levy totalling \$2,286,547 deducted from contract payments was paid over to the Inland Revenue Department. This violated the requirements of the Contractors Levy Act 1985 and could result in the imposition of penalties.

(iv) **Bank Reconciliation Statements**

The reconciliation statements for the Council's Capital bank account disclosed dishonoured cheques amounting to \$69,603. The Council was advised to take steps to resolve these matters to safeguard against possible loss of public funds.

(v) **Emoluments**

- a) Incorrect calculations and inadequate internal checks contributed to the overpayment of salary arrears amounting to \$106,087 to twelve (12) officers.
- b) The required statutory deductions were not made from the emoluments of ten (10) officers of the Council resulting in overpayments totalling \$158,106.

PORTMORE MUNICIPAL COUNCIL

370. An audit of the captioned entity for the year under review disclosed the following unsatisfactory features:

(i) **Outstanding Statutory Deductions**

Statutory deductions made from employees' emoluments totalling \$4,256,267 for the period January to June 2008 were not paid over to the relevant agencies as required by law. This breach of the relevant Acts could affect employees' entitlement to certain benefits and could expose the Council to sanctions and penalties.

(ii) **Procedural and Procurement Breaches**

Supporting bills were not affixed to six (6) payment vouchers totalling \$197,933. In addition, certification of work by the assigned officer(s) was not indicated to attest that site inspections were conducted, services were properly rendered and value was received for an expenditure of \$225,890 for drain cleaning. There was no evidence that competitive price quotations were obtained for goods and services procured for \$908,378. It was recommended that proper payment procedures and the procurement guidelines be adhered to.

(iii) **Internal Control Weaknesses**

Improvement in controls was necessary over bank reconciliation, motor vehicle, fuel advance card, furniture and equipment inventory. The Council was informed of the risk associated with weak control systems and it was recommended that effective controls be put in place.

HANOVER PARISH COUNCIL

Rental of Properties

371. The audit for the period under review disclosed outstanding rental of \$878,750. Management was advised to implement collection measures to reduce the arrears.

Internal Control Weaknesses

- 372.** a) There was need for improved controls over the value book, motor vehicle, advance debit cards and expenditure vouchers.
- b) There was no evidence of approval for the payment of \$38,400 per month to an officer of the St. James Parish Council, for the provision of information technology services. The Council was advised to regularise this arrangement.

PORTLAND PARISH COUNCIL

373. The financial transactions and accounting records examined revealed a generally satisfactory state of affairs. However, the following areas of concern were noted:

(i) **Outstanding Financial Statements**

Up to the date of this report, annual financial statements for 2007/2008 were not received for audit.

(ii) **Arrears of Lease/Rental**

Arrears of lease/rental amounting to \$1,168,489 were owed to the Council. The Council was advised to recover the outstanding amounts. The Council has since reported recovery of \$304,483.

(iii) **Accounting Weaknesses**

Weaknesses were observed in the use of telephones, preparation of salaries and monitoring of licences issued to barbers and hairdressers.

ST. THOMAS PARISH COUNCIL

374. The audit of the St. Thomas Parish Council for 2007/2008 revealed a generally satisfactory state of affairs. However, statutory deductions totalling \$16,138,259 made from employees' emoluments were not remitted to the relevant agencies. The Council advised that a request for waiver of the taxes due had been sought and the outstanding contribution for National Housing Trust was settled.

INFORMATION TECHNOLOGY AUDITS**Tax Compliance Certificate (TCC) On Line
Application System*****General Comments***

375. A one-stop Tax Compliance Certificate system was implemented in October 2003 to provide compliant taxpayers with a facility to apply for TCC renewal via facsimile or email without the need to visit the various statutory agencies for tax clearances and to encourage voluntary compliance. In September 2005, it was enhanced by providing a web-based online application for TCC, which facilitates the submission of TCC applications and compliance information as well as TCC enquiry by taxpayers via the Internet.

376. An audit of the system was conducted to determine whether adequate controls were in place and were operating effectively and efficiently to achieve the organization's objectives. The following paragraphs contain a summary of the observations made.

Excessive Overrides

377. An override is given to an individual/company depending on the nature and urgency of the transaction that requires the TCC. It is required that payment arrangements be set up with such persons to ensure that the tax amount owed is subsequently collected.

378. The number of approved certificates which were over-ridden for an individual/business was compared to the total number of certificates approved and issued for that individual/business. It was found that there were 95 individuals/businesses that have had their certificates over-ridden at least 50% of the times. This practice may encourage tax delinquency, consequently retarding the Government's objective of achieving timely tax collection. It was recommended that management monitor individuals/companies receiving over-rides to ensure that payment arrangements are honoured.

Excessive Printing

379. The total number of certificates approved was compared to the number printed for each individual/business. It was determined that 163 individuals/businesses had their certificates printed more than twice the number approved. It was recommended that management institute adequate measures to minimize excessive printing and to account for all TCCs printed.

**Inland Revenue Department
Integrated New Cash Remittance System (INCRS)*****General Comment***

380. The Integrated New Cash Remittance System (INCRS) is the redesign and definition of the old Cash Remittance system (CRS) used by the Inland Revenue Department. INCRS provides all the relevant functions which existed in the old system with enhancements. The existing cashier control functions remain the same with additional capability of being able to process credit/debit card transactions. INCRS should improve the tax collection machinery, by expanding the payment types accepted, reducing the time spent by taxpayers in the cashier lines in the collectorates and providing a better audit trail for transactions processed.

381. An audit of the system was conducted to determine whether adequate controls existed; to identify inconsistencies and anomalies that compromise data integrity and the operational efficiency of the system and to provide reasonable assurance that transactions from the system were accurately updated. The following paragraphs contain a summary of the observations made.

Zero Dollar Transactions

382. Motor vehicle licence fees are payable for all motor vehicles except those assigned with diplomatic plates, government plates and emergency vehicles. Investigations revealed that 1,020 motor vehicle licence transactions did not have a transaction amount, though the related vehicles were not assigned plates that would warrant an exemption. At least \$1.2M should have been collected from these transactions. It was recommended that a review be done of these transactions and the system processes that govern zero dollar transactions.

Licence Plate Issued but no Record seen in INCRS

383. Motorists are required to pay a fee for private licence plates, the fee payable varies in accordance with vehicle type. Automated Motor Vehicle System (AMVS) data analysis indicates that of the approximately 23,778 private licence plates issued between January 3, 2006 and March 31, 2008, 133 of these transactions, valuing \$199,500 were not seen in INCRS. It was recommended that these cases be thoroughly investigated.

**Inland Revenue Department
Automated Motor Vehicle System (AMVS)*****General Comment***

384. The AMVS Online is an integration of two existing systems, the Integrated New Cash Remittance system (INCRS) and the AMVS Core system. Both were integrated with a view to improve the integrity and speed of processing motor vehicle transactions.

385. An audit of the system was conducted to ascertain whether adequate controls existed and to identify inconsistencies and anomalies that compromise data integrity and the operational efficiency of the system. The following paragraphs contain a summary of the observations made.

Missing Motor Vehicle Insurance

386. Investigations revealed that 78 vehicles registered between the period January 1, 2006 to April 1, 2008 bore no evidence of being insured. It was recommended that steps should be taken to ensure that insurance information is captured on the system.

TRN Strip Down Discrepancy

387. The TRN strip down file stores information on each taxpayer and their corresponding TRN and is used by AMVS to verify TRN information. A comparison of the TRN master database and the TRN strip down file was done. It was revealed that there were 1,485 cases in which the TRN in each database was the same but the related taxpayers' names were different. This discrepancy impacts on the level of reliance that can be placed on the integrity of the information that is transferred to and used by AMVS.

Unencrypted Passwords

388. Passwords for AMVS users were stored in plain text rather than an encrypted format. This compromises information system security, and it was recommended that procedures be established to have the system passwords encrypted or otherwise protected against unauthorized disclosure.

Weak Password Length

389. Best practices related to passwords require, among other things, that passwords must be in place for all systems and that they must be unique, difficult to interpret, and a minimum length of six characters. However, data analysis revealed that of the 538 users, 74 of the passwords for these users were less than six characters in length. This could result in passwords being easily deduced and thereby allow access to unauthorized users. Management was advised to consider promoting a password policy that is consistent with best practices.

Unusual Insurance Companies

390. Two hundred and eleven (211) vehicles had insurance company names that did not appear to be legitimate motor vehicle insurers. However, the system accepted these names as insurance companies during the motor vehicle registration process. It was recommended that these cases be reviewed and steps taken to ensure that proper insurance information exists prior to re-licensing and registration.

Duplicate Insurance Policy

391. Investigations revealed that there were 183 duplicated insurance policy numbers with the same insurance company for different owners and different vehicles. Management was advised to consider a system modification to enable detection of the highlighted incidences, as a preventative measure.

Duplicate Entry Number but Different Importer

392. The audit identified eighteen (18) records in which the customs entry numbers were duplicated for different importers. This implies that different importers of motor vehicles used the same customs entry number. It was recommended that all import entries should be validated by the system to avoid the processing of fraudulent information.

Duplicate AMVS Usernames

393. Data analysis revealed that there were 32 usernames which had two different User IDs to access the system. This increases the risk that unauthorized users will conduct transactions under the guise of legitimate users and compromise accountability. It was recommended that inactive User IDs be deactivated and the status of inactive user accounts be reviewed periodically and terminated where appropriate.

Other Data Anomalies

394. Best practices dictate that data captured by the system should be complete, accurate and reliable. However, the following discrepancies were identified.

- i) 490 vehicles had licence dates but were issued no licence numbers.
- ii) 1,138 vehicles with fitness period that exceeded two years.
- iii) 4 vehicles were insured for periods in excess of one year.

The absence of effective data validation could result in system errors and abuse. Management should therefore ensure that the relevant validation checks are conducted on the necessary fields.

Taxpayer Registration Number (TRN) System***General Comments***

395. The Government of Jamaica through the Tax Administration Reform Project (TAXARP) implemented the Taxpayer Registration system to facilitate the registration and assignment of a Taxpayer Registration Number (TRN). The TRN is a unique nine-digit identification number assigned to each individual taxpayer, business enterprise and organization (Non-Profit, Partnership, Charity, etc.) by way of an automated system. The TRN replaced the different numbers used by various Tax Departments such as Business Enterprise Number (BENO), Income Tax Reference Number and the Driver's Licence Number. As at March 31, 2008, there were 1,782,488 individuals and 46,778 businesses that had a confirmed TRN.

396. An audit of the system was conducted to determine whether adequate controls were in place and were operating effectively and efficiently to achieve the organization's objectives. The following paragraphs contain a summary of the observations made.

Duplicated Identification Details

397. The TRN application process requires information to uniquely identify an individual or business to ensure that each taxpayer receives only one TRN. The following anomalies were identified:

- (i) Thirty three (33) individuals had the same birth certificate number and birth date. Four (4) of these individuals had the same name.
- (ii) Two hundred and seventy two (272) individuals had the same names and birth date.
- (iii) One hundred and seventy (170) businesses had the same registered name.
- (iv) Nineteen (19) duplicated drivers licence numbers.

I was advised that a "data cleansing" software was recently acquired to assist with the identification of existing duplicates and effect cleaning of existing TRN data.

TRN Confirmed before Application Received

398. Data analysis revealed that there were twenty-eight (28) TRNs which had confirmation dates before the date the application was received. This suggests that these TRNs were approved before the date of application and indicates an inconsistency in the data captured by the system. I was subsequently informed that corrective action would be taken.

Missing Data

399. Data analysis revealed that information that should have been captured during the application process was not found in the system for a substantial number of records.

The following missing fields were noted:

- i) 53 records had no birth date
- ii) 55,679 records had no place of birth
- iii) 1,415 records had no marital status
- iv) 11 records had no country code
- v) 14,631 records could not be matched to a mother
- vi) 31,749 individuals were classified as married, however, their spouses' names were missing
- vii) 7,228 businesses had no registration number, while 197 had no start date.
- viii) 28,106 businesses had no type of telephone contact.

400. The information required by the system facilitates the unique identification of each taxpayer and if left blank could hinder the verification process especially in cases where duplicate records have been identified. It was recommended that management consider making these fields mandatory as far as practicable.

Data Inconsistencies

401. Best practices dictate that data captured should be complete and consistent. However, the following discrepancies were identified.

- i) 74 active branches for companies that were closed.
- ii) 4 individuals with status “death”, but no date of death entered.
- iii) 97 individuals with active TRN had a date of death entered.

These inconsistencies indicate shortcomings in the data validation being done by the system and could result in misleading reports generated from the system. It was recommended that controls should be implemented to facilitate consistency and logic of data.

Duplicate User Names

402. Data analysis revealed that there were 40 usernames which had two User IDs to access the system. This increases the risk of unauthorized users conducting transactions under the guise of legitimate users and compromises accountability. It was recommended that inactive User IDs be deactivated and the status of inactive user accounts be reviewed periodically and terminated where appropriate.

SPECIAL AUDITS**Jamaica Railway Corporation Privatisation Fund**

403. A review of the activities of the Jamaica Railway Corporation Privatisation Fund revealed the following:

404. An amount of J\$210M which represented part proceeds from the sale of Government's share in Caribbean Cement Company (CCC) was set aside for use in the privatization of Jamaica Railway Corporation (JRC) through a Railway Fund. The directive of the Minister of Finance for use of the proceeds of the sale of CCC shares to establish the Railway Fund, in keeping with Section 12(4) of Bauxite (Production Levy) Act was not presented.

405. I sought to determine whether a legal document or enactment of law establishing the Fund existed. The management of Development Bank of Jamaica (DBJ) advised that there was no legal document or enactment of Law. Consequently, I could not determine if the Fund had a well defined purpose, an expected feature of a properly managed fund.

406. The sale of the shares in CCC represents 'income earned from the assets of the Capital Development Fund' as described by Section 12 subsection (3) of the Bauxite Production Levy Act. Section 12 Subsection (5) of the said Act authorizes the Minister to make withdrawals from the Capital Development Fund. However, such withdrawals are subject to affirmative resolution of the House of Representatives in keeping with Section 12 Subsection (6) of the Bauxite Production Levy Act. No affirmative resolutions were seen in relation to withdrawal totalling \$40.9M.

407. The financial and accounting arrangements for the Fund were not structured and the management of DBJ advised that amounts earmarked for the Fund were not held separately in the books of NIBJ. Since November 26, 2007 JRC Funds have been held separately in DBJ's investment portfolio. A separate accounting arrangement was however not maintained for the JRC Fund.

408. The regular features of a fund are a clearly stated purpose, the existence of a legal document or enactment of law establishing such fund, an appointed agent responsible for its administration and adequate financial and accounting arrangements. These features were not clearly defined in the establishment of the Jamaica Railway Corporation Fund.

Office Of The Prime Minister Reserve Fund (OPM Reserve)

409. At the request of the Public Accounts Committee of the House of Representatives a special audit was conducted of the operations, financial transactions and administrative activities of the captioned Fund.

410. A review of the operations of the Programme revealed inadequacies in the criteria as outlined in Ministry Paper 29/99, which governed the awarding and distribution of benefits under the SESP Programme. The document mainly outlined the broad framework policy

direction of the Programme, and listed the general criteria that should guide the approval and disbursement of benefits. However, the document failed to state the specific parameters that should be used to assess applicants. The absence of specific parameters did not facilitate the expected transparency, accountability and the assurance that benefits were distributed on an equitable basis. This weakness was exacerbated by the fact that there was no documentary evidence to indicate that needs assessments were conducted for beneficiaries under the Programme prior to financial year 2007/2008.

411. There were also instances where no evidence was presented to allow verification that assistance provided was used for the intended purposes. The high level of discretionary powers afforded to the Programme's Coordinator and managers in the awarding and disbursement of benefits did not contribute to good management practice.

412. The Fund has since been merged with the Constituency Development Fund (CDF). Nonetheless, it is recommended that the weaknesses highlighted above be considered in finalizing the procedural guidelines governing the operations of the CDF.

PERFORMANCE AUDITS

FISHERIES DIVISION

413. The Fisheries Division in the Ministry of Agriculture is responsible for the conservation and sustainable utilization of the Jamaican fisheries resources in a manner that ensures optimum social and economic benefits to Jamaica. The Fishing Industry Act (1975); Fishing Regulations (1976) along with the Pedro and Morant Act (1907) regulate the Jamaican Fishing Industry. Other related Acts such as the Natural Resources Conservation Authority Act (1995), the Wildlife Protection Act (1945) also impact on the management of the Fishing Industry.

414. The Fishing Industry Act (1975) provides for the general administration and protection of the Fishing Industry by requiring that all vessels and fishers must be registered and licensed in order to engage in any type of fishing activities. It also states that all transfer of ownership of boats and vessels, loss or destruction of vessels, and cancellation and suspension of licenses must be reported to the Fisheries Division. Protection of the industry includes the declaration of closed fishing seasons and the establishment of Fish Sanctuaries.

MAJOR FINDINGS	SUMMARY	MANAGEMENT'S RESPONSE
Finding No. 1- LICENCING AND REGISTRATION	Of the approximately 17,552 documented fishers at May 2008, only 1,928 were registered, a non-compliance rate of 89%. In addition, of the 4,719 registered vessels, only 187 were licensed, a non-compliance of 96%.	No response
Finding No. 2 – MONITORING, CONTROL, SURVEILLANCE (MCS) AND ENFORCEMENT	Lack of staffing and financial resources impacted negatively the effectiveness and efficiency with which MCS and enforcement activities were conducted. Inefficiency was noted in the record keeping and reporting on MCS activities.	No response
Finding No. 3 - RESEARCH AND DEVELOPMENT	The Division lacked the necessary resources to undertake extensive and comprehensive research activities.	No response

MAJOR FINDINGS	SUMMARY	MANAGEMENT'S RESPONSE
Finding No. 4 - MANAGEMENT OF THE WHITEHOUSE FISHING COMPLEX (WHC)	The objectives of WHC to make the Whitehouse fishing beach a prototype for a self-reliant and sustainable small-scale fishing industry was not accomplished.	No response
Finding No. 5 - INFORMATION MANAGEMENT	Financial information was not captured under the specific activities, which made it difficult to ascertain the associated costs. Insufficient biological and catch information hindered informed decision making on the status of lobster fishery.	No response
Finding No. 6 - PUBLIC EDUCATION AND AWARENESS	An in-effective system of communication was noted, as the public awareness community outreach meetings were limited to eleven (11) beaches and only 588 fishers and vendors attended. The inability to educate a wide cross section of the fishing community may result in continued infringement in the industry.	No response

HIGHLIGHTS OF RECOMMENDATION
<ul style="list-style-type: none"> • Urgency should be placed on the passing and the promulgation of the proposed revised Fishing Industry Act. • All fishers and boats must be registered and licensed and action taken against identified offenders in keeping with the law. • The Division must be institutionally strengthened to efficiently execute its Monitoring, Control and Surveillance mandate and as such requires the following: <ul style="list-style-type: none"> - additional vessels with a dedicated crew - training in surveillance and evidence gathering - adequate funding

- Project management must be strengthened to facilitate the satisfactory development and implementation of related research activities.
- Urgent actions should be taken to collect the applicable fees and reactivate the management committee of the Whitehouse Fishing Complex.
- The Fisheries Division should develop and adopt more innovative strategies to better execute its Public Education and Awareness programmes to fishers and other participants in the industry.

REFORM OF SECONDARY EDUCATION PROJECT (PHASE II)

415. The Government of Jamaica has embarked on a number of reform activities aimed at improving the quality and productivity of the educational system. The overall reform strategy involves all areas of the educational system and addresses issues such as curriculum and organizational reform, educational financing, and rationalization of institutions.

416. In 1993 the Reform of Secondary Education Project (ROSE I) was implemented to improve:

- (a) the access, equity and quality of education for students in grade 7 through 9, specifically in those schools serving the poorest students;
- (b) the quality and cost effectiveness of public provision of social services; and
- (c) to strengthen the capacity of the Ministry to plan and to monitor the impact of the ROSE Programme.

At the completion of ROSE I, the World Bank extended its support to other educational activities of the Government of Jamaica. ROSE II was designed and implemented to consolidate the initial results of ROSE I. The Project was structured to enhance:

- (a) equity and quality of education for students in grades 7 through 11, specifically in schools serving the poorest students;
- (b) the quality and cost effectiveness of public provision of social services by expanding access to upper secondary education through the expansion of schools and public financing of students placed in independent schools.
- (c) To strengthen the capacity of the Ministry and its regional officers to manage and monitor the reform.

MAJOR FINDINGS	SUMMARY	MANAGEMENT'S RESPONSE
Evaluation of the impact /success of the Project	The Monitoring & Evaluation Unit of the Ministry of Education was just in the process of collecting data to facilitate the evaluation of the effectiveness of the Project.	No response
Schools Improvement Plans	No mechanism was in place to ensure that equipment and teaching materials procured were used in accordance with approved plans. Poor record keeping prevented the verification of acquisition and distribution of the School Improvement Manuals. No records were presented for fixed assets purchased for one (1) of the schools.	No response
Diagnostic Tools and Strategies	Delays experienced in the development of diagnostic tools and strategies resulted in the late implementation of this component of the Project.	No response
Civil Works	Inadequate planning resulted in variation cost of \$30,586,160, or 28% of the contract sum. Time overrun of three (3) months resulted in an additional amount of \$823,550 being paid to three (3) consultants.	No response

HIGHLIGHTS OF RECOMMENDATIONS

- Requisite evaluation of the effectiveness of the project should be conducted and results used to inform similar programmes.
- An Appropriate monitoring system should be instituted to ensure that equipment and material acquired by Project's funds are used for their intended purpose.
- Outstanding payment vouchers and supporting documentation should be presented for assets purchased.
- Perpetual inventory records implemented for equipment and furniture.
- The remaining Diagnostic Tools and Strategies should be distributed to the related schools.
- The Project should improve its planning and monitoring strategies to prevent time and cost overrun on future contracts.

PAMELA MONROE ELLIS
AUDITOR GENERAL
14th December, 2008

APPENDIX “A”

OUTSTANDING APPROPRIATION ACCOUNTS AS AT DECEMBER 11, 2008 IN RESPECT OF FINANCIAL YEARS 2005/2006 TO 2007/2008

HEAD	MINISTRY/DEPARTMENT	OUTSTANDING APPROPRIATION ACCOUNTS		
		2005/2006	2006/2007	2007/2008
0200	Houses of Parliament	-	-	√
0600	Office of the Services Commissions	-	-	√
1649	Management Institute for National Development (MIND)	-	√	√
2011	Accountant General	-	-	√
2019	Pensions	-	-	√
2622	Police Department	-	-	√
2624	Department of Correctional Services	-	-	√
2800	Ministry of Justice	-	-	√
2800A	Ministry of Justice	-	-	√
2800B	Ministry of Justice	-	-	√
2823	Court Appeal	-	-	√
2825	Director of Public Prosecutions	-	-	√
2826	Family Courts	-	-	√
2827	Resident Magistrates' Courts	-	-	√
2829	Supreme Court	-	-	√
2831	Attorney General	-	-	√
2833	Office of the Parliamentary Counsel	-	-	√
2852	Legal Reform Department	-	-	√

Key:

√ - Outstanding

APPENDIX “A”

OUTSTANDING APPROPRIATION ACCOUNTS AS AT DECEMBER 11, 2008 IN RESPECT OF FINANCIAL YEARS 2005/2006 TO 2007/2008

HEAD	MINISTRY/DEPARTMENT	OUTSTANDING APPROPRIATION ACCOUNTS		
		2005/2006	2006/2007	2007/2008
3000	Ministry of Foreign Affairs and Foreign Trade	√	√	√
3000B	Ministry of Foreign Affairs and Foreign Trade	-	-	√
4000	Ministry of Labour and Social Security	-	-	√
4000A	Ministry of Labour and Social Security	-	-	√
4000B	Ministry of Labour and Social Security	-	-	√
4100	Ministry of Education and Youth	-	-	√
4100A	Ministry of Education and Youth	-	-	√
4100B	Ministry of Education and Youth	-	-	√
4200	Ministry of Health	-	-	√
4200A	Ministry of Health	-	-	√
4200B	Ministry of Health	-	-	√
4220	Registrar General's Department and Island Record Office	-	√	√
4234	Bellevue Hospital	-	√	√
4235	Government Chemist	-	-	√
4251	Child Development Agency	√	√	√
5100	Ministry of Agriculture and Lands	-	-	√

Key:

√ - Outstanding

APPENDIX “A”

OUTSTANDING APPROPRIATION ACCOUNTS AS AT DECEMBER 11, 2008 IN RESPECT OF FINANCIAL YEARS 2005/2006 TO 2007/2008

HEAD	MINISTRY/DEPARTMENT	OUTSTANDING APPROPRIATION ACCOUNTS		
		2005/2006	2006/2007	2007/2008
5100A	Ministry of Agriculture and Lands	-	-	√
5100B	Ministry of Agriculture and Lands	-	-	√
5147	National Land Agency	-	-	√
5200	Ministry of Industry, Technology, Energy and Commerce	-	-	√
5200A	Ministry of Industry, Technology, Energy and Commerce	-	-	√
5200B	Ministry of Industry, Technology, Energy and Commerce	-	-	√
5238	The Companies Office of Jamaica	-	-	√
5239	Post and Telecommunications Department	-	-	√
6300	Ministry of Water and Housing	-	-	√
6300A	Ministry of Water and Housing	-	-	√
6300B	Ministry of Water and Housing	-	-	√
6650	National Works Agency	-	-	√
7200	Ministry of Local Government and Environment	-	-	√
7200A	Ministry of Local Government and Environment	-	-	√
7200B	Ministry of Local Government and Environment	-	-	√
7248	National Environment and Planning Agency	-	-	√

Key:

√ - Outstanding

APPENDIX “B”

OUTSTANDING FINANCIAL STATEMENTS AS AT DECEMBER 11, 2008 IN RESPECT OF FINANCIAL YEARS 2003/2004 TO 2007/2008

NAME OF ENTITY	OUTSTANDING FINANCIAL STATEMENTS				
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Administrator General's Department	-	-	-	√	√
Management Institute for National Development (MIND)	-	-	-	-	√
Parochial Revenue Fund	-	-	-	-	√
National Environment and Planning Agency (NEPA)	-	-	-	-	√
National Land Agency	-	-	-	-	√
Companies Office of Jamaica	-	-	-	√	√
National Insurance Scheme	-	-	-	-	√
Registrar General's Department	-	-	√	√	√
National Council on Drug Abuse	-	-	-	-	√
Fair Trading Commission	-	-	-	√	√
Anti Dumping and Subsidies Commission	-	-	-	-	√
Water Resources Authority	-	-	-	√	√
Jamaica National Heritage Trust	√	√	√	√	√
Social Development Commission	-	-	-	-	√
Creative Production and Training Centre	-	-	√	√	√
Capital Development Fund	-	-	√	√	√
National Youth Service	-	-	-	√	√
The Institute of Jamaica	-	-	√	√	√
National Gallery of Jamaica	√	√	√	√	√

Key:

√ - Outstanding

APPENDIX “B”

OUTSTANDING FINANCIAL STATEMENTS AS AT DECEMBER 11, 2008 IN RESPECT OF FINANCIAL YEARS 2003/2004 TO 2007/2008

NAME OF ENTITY	OUTSTANDING FINANCIAL STATEMENTS				
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Jamaica 4H Clubs	-	-	-	√	√
Council of Community Colleges	√	√	√	√	√
The Pharmacy Council	-	-	-	√	√
Overseas Examination Commission	-	-	-	√	√
Pest Control Authority	-	-	-	-	√
South East Regional Health Authority	√	√	√	√	√
North East Regional Health Authority	√	√	√	√	√
Western Regional Health Authority	√	√	√	√	√
Southern Regional Health Authority	√	√	√	√	√
Export Division	-	-	-	-	√
Agricultural Development Corporation	-	√	√	√	√
Agricultural Marketing Corporation	-	-	√	√	√
Sugar Company of Jamaica	-	-	-	√	√
Electoral Office of Jamaica	-	-	√	√	√

Key:

√ - Outstanding

APPENDIX “C”

OUTSTANDING RECEIPTS & PAYMENTS STATEMENTS AS AT DECEMBER 11, 2008 IN RESPECT OF FINANCIAL YEARS 2004/2005 TO 2007/2008

NAME OF ENTITY	OUTSTANDING RECEIPTS & PAYMENTS STATEMENTS			
	<i>2004/2005</i>	<i>2005/2006</i>	<i>2006/2007</i>	<i>2007/2008</i>
Milk River Bath Hotel	√	√	√	√
Police Public Complaints Authority	-	-	-	√
Bath Fountain	-	-	√	√
National Commission on Science & Technology	-	-	-	√
Medical Council Of Jamaica	-	-	√	√
Jamaica Veterinary Board	-	-	-	√
Professions Supplementary to Medicine	-	√	√	√
Apprenticeship Board	-	-	-	√
Jamaica Library Service	-	-	-	√

Key:

√ - Outstanding

EXCESS ON VOTES NOT COVERED BY PARLIAMENTARY APPROVAL AS SHOWN BY THE APPROPRIATION ACCOUNTS RECEIVED

Head	Ministry/Department	1994/1995	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	TOTAL
18	Public Service & Environment	810,051.24												810,051.24
100	His Excellency the Governor General & Staff				250,113.82	4,620.53								254,734.35
200	Houses of Parliament								959,197.32					959,197.32
600	Office of the Services Commissions			750,591.34				294,147.00						1,044,738.34
1510	Jamaica Information Service			2,237,050.74			8,382,540.60	31,522.94						10,651,114.28
2011	Accountant General					1,662,042.01								1,662,042.01
2012	Customs					19,862,421.26				15,806,868.41		4,618,492.60		40,287,782.27
2014	Income Tax			3,002,590.79			492,070.19							3,494,660.98
2015	Inland Revenue			4,463,496.66		1,018,021.11		174,497.29			25,444,654.06			31,100,669.12
2019	Pensions				49,239,356.43									49,239,356.43
2041	Taxpayer Audit and Assessment												712,294.84	712,294.84
2600	National Security & Justice	50,893,738.13	4,004,491.59			23,182,220.00						42,689,829.99		120,770,279.71
2600A	National Security & Justice						17,780,290.73							17,780,290.73
2600B	National Security & Justice		10,023,748.11	780,705.36										10,804,453.47
2622	Police Department			12,541,924.71			50,009,094.40					48,079,531.37		110,630,550.48
2624	Correctional Services							20,746,203.92						20,746,203.92
2626	Family Court					819,139.70								819,139.70
2627	Resident Magistrates' Courts			2,133,960.34	3,454,036.79		8,320,356.12	563,840.95						14,472,194.20
2629	Supreme Courts			2,704,684.57	6,094,910.47									8,799,595.04
2732	Bankruptcy			38,621.55										38,621.55
3000	Foreign Affairs and Foreign Trade		15,270,650.52			3,366,721.93		67,386,121.80	11,866,549.40					97,890,043.65
4000	Labour, Social Security & Sport			6,196,457.48										6,196,457.48
4100	Education and Culture					2,940,183.78		19,682,028.15						22,622,211.93
4100A	Education and Culture						4,993,907.85							4,993,907.85
4100B	Education and Culture						2,989,908.96				8,588,111.60			11,578,020.56
4200	Health		40,819,084.38	64,400,944.17		155,472,442.01		8,966,724.58					907,509.10	270,566,704.24
4200B	Health									50,651,443.82				50,651,443.82
4234	Bellevue Hospital				2,986,752.12				10,411,705.43					13,398,457.55
5100	Agriculture							51,038.40						51,038.40
5100A	Agriculture										2,197,089.41			2,197,089.41
5100B	Agriculture										15,514,164.31			15,514,164.31
5146	Forestry										2,577,955.87		752,751.73	3,330,707.60
5200	Industry, Investment and Commerce			14,971,055.80				2,981,233.85						17,952,289.65
5238	Registrar of Companies					17,067.54		4,174,146.00	16,459,883.00		153,237.00	6,329,023.08		27,133,356.62
5239	Post & Telecommunication					20,546,418.40	7,951,013.73		11,693,232.52					40,190,664.65
5400	Commerce and Technology						20,408.34							20,408.34
5400A	Commerce and Technology						230.00							230.00
5400B	Commerce and Technology						299.40							299.40
5500	Mining and Energy							2,981,233.85						2,981,233.85
5500A	Mining and Energy					982,651.44	1,033,101.19							2,015,752.63
5500B	Mining and Energy									500,000.00				500,000.00
6000A	Public Utilities & Transport			12,541,069.67	25,891,123.67									38,432,193.34
6000B	Public Utilities & Transport			81,489,331.53										81,489,331.53
6300	Water and Housing										8,538,586.11			8,538,586.11
6400	Environment & Housing							5,977,619.24						5,977,619.24
6400A	Environment & Housing			26,119,082.56				7,516,657.19						33,635,739.75
6400B	Environment & Housing							4,591,537.26						4,591,537.26
6500	Transport and Works				25,576,503.35									25,576,503.35
6500A	Transport and Works									1,534,338.10	32,549,957.45			34,084,295.55
6500B	Transport and Works										44,491,067.89			44,491,067.89
7100	Local Government & Works				1,792,124.07									1,792,124.07
7100A	Local Government & Works			6,278,696.03	62,478,692.10									68,757,388.13
7200	Local Government, Youth and Community Development							266,012,070.42	50,344,549.31	83,097,643.50				399,454,263.23
	TOTAL	51,703,789.37	70,117,974.60	240,650,263.30	177,763,612.82	229,873,949.71	120,059,035.20	394,044,809.15	101,735,116.98	151,590,293.83	140,054,823.70	101,716,877.04	2,372,555.67	1,781,683,101.37