

# Part Five

## Corporate Governance - AEROTEL

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### Executive Summary

Aeronautical Telecommunications Ltd, (AEROTEL) a subsidiary of Jamaica Civil Aviation Authority (JCAA) since June 1998, is responsible for the maintenance of all aeronautical, communication, navigation and surveillance systems (CNS). AEROTEL also provides maintenance and other support services to a number of other clients, including the Jamaica Defence Force (JDF), Airports Authority of Jamaica (AAJ) and the National Meteorological Service.

AEROTEL governance practices and financial operations are subject to the Public Bodies Management & Accountability (PBMA) Act, GoJ Corporate Governance and Accountability Frameworks and applicable guidelines issued by the Ministry of Finance and the Public Service (MoFPS).

We conducted a special investigation to determine whether AEROTEL governance practices, including procurement were in keeping with the applicable laws and regulations.

The key findings of the audit are summarized below.

### Key Findings

- 1. Between January 2012 and December 2015, AEROTEL paid \$32.44 million in Travelling Allowances to 16 members of staff without MoFPS approval.** This was in breach of Section 20 of the PBMA Act, which indicates that in relation to emoluments payable to staff of a public body, the Board shall act in accordance with guidelines issued from time to time by the Minister responsible for the Public Service. AEROTEL's failure to obtain the Minister's approval not only breached the Government's guidelines but also undermined the transparency and accountability process and has resulted in unauthorized payments.
- 2. AEROTEL paid \$1.92 million in Closed User Group (CUG) charges for 23 months after Chairman's separation from the entity.** In February 2012, the Chairman of AEROTEL demitted office and the CUG mobile phone was not recovered immediately on his departure. The Chairman used the phone for 23 months after demitting office and accumulated approximately \$2 million in charges, which was paid by AEROTEL. These improper payments were not initially detected despite being subjected to three levels of approval, which includes certifying and authorising officers (Senior accounting staff) and the cheque signatories (Director of Finance and another Director). Further, AEROTEL did not establish pre-set limits on its CUG plans during the period January 2012 to April 2015.

3. Additionally, the company's CUG policy, which was created in February 2012 was not approved by the Board until May 2015. The pre-set limits outlined in the policy, however, exceeded those set out in the Ministry of Finance and the Public Service (MoFPS) Circular No. 35 dated November 9, 2012 for three users. AEROTEL did not seek the requisite approval from the Financial Secretary for these users. A total of six users incurred charges in excess of the MoFPS' guideline totalling \$279,967 for the period January 2012 to December 2015. AEROTEL indicated that it has a highly mobile work force that is heavily reliant on mobile voice and data services and its limits were set based on historical usage and the need to increase operational efficiency.
  
4. **AEROTEL did not adhere to the GoJ's Procurement Guidelines for a generator costing approximately \$7.23 million.** We found that the procurement of a generator for \$7.23 million was not done in the competitive manner required by the Procurement Guidelines, as AEROTEL did not open the procurement opportunity to all eligible suppliers. Further, AEROTEL advanced the supplier \$3.61 million or 50 per cent of the contract sum, two weeks after signing the agreement without obtaining the requisite guarantee or security to protect the Government's interest.

### Recommendations

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1. Management should strictly adhere to the Government's guidelines for the payment of travelling allowances and the use of CUG phones and seek approval from the MoFPS for the payment of travelling allowances to the 16 Officers.
2. Overpayments should be calculated and recovered from the officer overpaid or the responsible Officer. Additionally, a mechanism should be implemented to recover company property when Board members demit office.
3. Where payments made outside the Government's guidelines are not recovered, this may lead to surcharge of the responsible officers, as these payments would be deemed unauthorized, and also considered to be overpayments.

## Corporate Governance Breaches at the Aeronautical Telecommunications Ltd.

### AEROTEL's governance practices were inconsistent with the Public Bodies Management & Accountability (PBMA) Act and Ministry of Finance and the Public Service Circulars

- 5.1** In March 2016, it was reported that the Chairman of AEROTEL who demitted office in February 2012, accumulated CUG charges in excess of \$1 million, which is of concern to our office. This raised concerns on the governance practices at AEROTEL and specifically the control environment. Therefore, we conducted an investigation into the governance practices at AEROTEL, which is in line with our mission to conduct independent audits and make reports to improve the use of public resources.
- 5.2** **AEROTEL paid \$32.44 million in Travelling Allowances to 16 members of staff without MoFPS approval, over the four-year period, January 2012 to December 2015.** This was in breach of Section 20 of the PBMA Act, which indicates that in relation to emoluments payable to staff of a public body, the Board shall act in accordance with guidelines issued from time to time by the Minister responsible for the Public Service. AEROTEL's failure to obtain the Ministry's approval not only breached the Government's guidelines but also undermined the transparency and accountability process and resulted in unauthorized payments.
- 5.3** **AEROTEL paid \$1.92 million in CUG charges for 23 months after Chairman's separation from the entity.** In February 2012, the Chairman of AEROTEL demitted office and the CUG mobile phone was not recovered immediately. The Chairman used the phone for 23 months after demitting office and accumulated approximately \$2 million in charges, which was paid by AEROTEL. These improper payments were not initially detected despite being subjected to three levels of approval, which include certifying and authorising officers (Senior accounting staff) and the cheque signatories (Director of Finance and another Director). Further, we found that AEROTEL did not establish preset limits on its CUG plans during the period January 2012 to April 2015. Additionally, the company's CUG policy, which was created in February 2012, was not approved by the Board until May 2015. The pre-set limits outlined in the policy, however, exceeded those set out in the MoFPS Circular no. 35 dated November 9, 2012 for three users. AEROTEL did not seek the requisite approval from the Financial Secretary for these users. A total of six users incurred charges in excess of the MoFPS' guideline totalling \$279,967 for the period January 2012 to December 2015. AEROTEL indicated that it has a highly mobile work force that is heavily reliant on mobile voice and data services and its limits were set based on historical usage and the need to increase operational efficiency.
- 5.4** In June 2016, after incurring legal fees of \$250,000, AEROTEL's Lawyers applied to the Supreme Court for a *Notice of Discontinuance* against the former Chairman. AEROTEL indicated that the company had exhausted all options to collect the sums and further pursuit through legal processes would be futile.

**5.5** Additionally, AEROTEL did not implement a mechanism to ensure that the costs of private calls were borne by the caller as is required by MoFPS Circular No.25 dated November 9, 2012. Three employees who were assigned post-paid CUG phones incurred roaming charges amounting to \$102,979 over the period 2012 to 2014, while on vacation leave (Appendix 15). AEROTEL provided evidence that \$54,511 was recovered, leaving a balance of \$48,469. AEROTEL indicated that its Senior Managers remain on call and in contact whilst on leave, and will utilise voice and especially data roaming services as may be necessary to provide supervision, advice and support for critical aviation technology maintenance services.

### **AEROTEL's circumvents GOJ Procurement Guidelines**

**5.6** **AEROTEL circumvented the GoJ's procurement guidelines in procuring a generator costing approximately \$7.23 million.** We found that the procurement of a generator, costing \$7.23 million, was not open to competitive tender as required by the procurement guidelines. Section A8.1.1 of the procurement guidelines stipulates that contracts in the range of \$5 million to \$15 million requires local competitive bidding. However, AEROTEL utilized the limited tender method in the selection of a company, contracted to supply a generator for \$7.23 million. Further, AEROTEL advanced the supplier \$3.61 million or 50 per cent of the contract sum, two weeks after signing the agreement without obtaining the requisite guarantee or security to protect the Government's interest in accordance with the Government Procurement Guidelines.<sup>35</sup>

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<sup>35</sup> Paragraph A7.6.3, states that: "The Procuring Entity may offer Advance Payment in respect of goods and general services where the circumstances of the particular procurement merit such a payment. These payments shall be no more than 50% of the procurement sum. In such cases, an Advance Payment Security shall be provided as a guarantee against contractor's default. Security can be in the form of a Bank Guarantee or irrevocable Letter of Credit for an amount equal to the advance payment, and is usually redeemable on demand."