

Auditor General's Department Annual Audit Report

Financial year 2016/2017

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL TRANSACTIONS
AND FINANCIAL STATEMENTS OF THE GOVERNMENT OF
JAMAICA FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2017



VISION STATEMENT

*"A better country through effective audit
scrutiny"*

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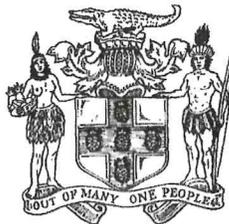
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ABBREVIATIONS & ACRONYMS

ACCA	Association of Certified Chartered Accountants
AuGD	Auditor General's Department
CAROSAI	Caribbean Association of Supreme Audit Institution
CTD	Chief Technical Director
EAU	Economic Assessment Unit
EMC	Executive Management Committee
FAA	Financial Administration and Audit
FCA	Fellow Chartered Accountant
FCCA	Fellow Chartered Certified Accountant
FINMAN	Financial Management (System)
FPP	Fiscal Policy Paper
GOJ	Government of Jamaica
IBRD	International Bank for Reconstruction and Development
iCAT	ISSAI Compliance Assessment Tool
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IDI	INTOSAI Development Initiative
IMER	Internal Monthly Economic Report
INTOSAI	International Organization of Supreme Audit Institutions
IDI	INTOSAI Development Initiative
ISSAI	International Standards of Supreme Audit Institutions
MDA	Ministry/Department/Agency
MOFPS	Ministry of Finance and the Public Service
NEPA	National Environment and Planning Agency
PAC	Public Accounts Committee
PBMA	Public Bodies Management and Accountability
PMF	Performance Management Framework
SAI	Supreme Audit Institution



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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 27, 2017

*The Honourable Speaker
House of Representatives
Gordon House
81 Duke Street
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 my examination of the accounts of the Island for the year ended 31st March 2017 for tabling in the House of Representatives.

Yours faithfully,

*Pamela Monroe Ellis (Mrs.)
Auditor General*

The Auditor General's Review

It is with great pleasure that I present my annual report for 2017. The report is predominantly internally focused and Section 1 provides a performance review of the AuGD for the period under review. Section 2 provides a synopsis of the results of assurance audits undertaken during the period; whereas Section 3 highlights the key findings of compliance audits conducted. Reports in relation to our other audit products (performance, Information technology, special investigation and, economic assessment) are tabled separately. Reference is made to these audits in the organizational review (Section 1) only in reporting our achievements versus our targets.

Over the past five years the AuGD has undertaken several institutional strengthening activities in our effort to improve the quality of the audit product we deliver and geared towards a positive impact on Government's system of governance and public financial management. Our activities involved technical capacity building initiatives as well as, importantly, strengthening the core – our administrative support units. Our overarching aim is to have an organization that is nimble to respond to the needs of the citizens whilst producing high quality reports and acting in the public interest.

We undertook to assess our performance, based on both the financial and time investment made in technical capacity building and organization reform activities. In that regard, I commissioned an independent review of the AuGD, known as the Supreme Audit Institution Performance Measurement Framework (SAI PMF). This exercise was funded by the Inter-American Development Bank and is an independent evidence based assessment. The independent assessment revealed that our governance arrangements and practices are in keeping with international benchmarks and that our effort to ensure compliance with high quality standards for our audit products were largely successful. However, predictively there was room for improvement especially as it pertains to specific guidance for compliance audit and stakeholder engagement. We have since taken steps to address the concerns. We have developed a stakeholder engagement plan for which we are now soliciting input and feedback from our stakeholders. Further, having previously identified compliance audit as an area in need of structured and special purpose intervention; the United Kingdom National Audit Office, through the Cabinet Office, was engaged to deliver blended training for Performance and Compliance Audits. This training was delivered from July to September 2017 and resulted in the update and development of the performance and compliance audit manuals, respectively. The summary of the report may be found on pages 22 to 33; whereas, the full report is available on our website at <http://auditorgeneral.gov.jm>. Our strategic business plan, which is also available online, reflects the strategic activities which we will undertake to address the issues emanating from the SAI PMF review.

In January 2017, we published our themed audit plan framework. As reported in my 2016 Annual Report, this framework provides a broad perspective of the audit focus, which we will apply to all our audit products to determine risk assessed audit candidates for the next three years. The themed approach is also meant to support our newly adopted three-year rolling audit plan.

I have embraced the undeniable role that the Auditor General's Department plays in the Government of Jamaica meeting the targets set in Jamaica's National Development Plan and the UN Vision 2030 – 17 Sustainable Development Goals (SDGs). In fulfillment of our commitment, particularly under SDG

16, Peace Justice and Strong Institutions, the AuGD has undertaken a number of initiatives, which includes; institutional strengthening of the organization to ensure we can add value through the publication of high quality reports. This strengthening initiative involved the review and automation of our key business processes and building on our governance arrangements to improve our internal monitoring and oversight mechanisms.

A critical element of institutional strengthening is targeted training. In that regard, four officers of the AuGD participated in blended learning programmes, which were delivered either face-to-face or through e-learning platforms or a combination of both. Particularly, we opted to participate in two global SDG focused cooperative performance audits, which are being managed by the INTOSAI Development Initiative (IDI). These audits aim to assess a country's preparedness to implement the SDGs and to examine the Institutional arrangements of anti-corruption agencies in pursuit of SDG 16. The fieldwork for both audits is scheduled to be completed by March 2018 and the respective reports have a projected date of July 2018 for submission to the Parliament. Our participation in these audits serves two purposes; to contribute to a report on global state of affairs on both subject matters and to benefit from the training element of the project to build our own performance audit capacity. All travel and accommodation costs associated with face- to-face training are met by the IDI. So far, training has been delivered in Budapest and India. I am grateful for the support provided by our international stakeholders as well as donor organization. Our initiatives were made possible because of support we received in kind and otherwise.

Members of AuGD continue to participate, through volunteerism, locally, regionally and internationally. The Department continues to reap the benefit of volunteerism. I use volunteerism as a means to effect holistic development and the benefit is reflected in both the personal and soft skills development of the members of the AuGD. There is also exponential benefit to the organization as a whole, we have achieved much in relation to our reform activities and this is partly due to the involvement of members at the international level who share and apply skills and knowledge within the department in furtherance of our mandate.

In pursuit of fulfilling my mandate as stipulated by the Constitution, we completed 180 audits up to November 2017. A significant number of agencies/ministries has not yet submitted financial statements in keeping with sections 43-2 of the FAA Act and section 3 -2,3 and 22 of the PBMA Act. Particularly, in the case of Ministries, many were affected by technical issues with the Financial Management System (FINMAN) which must be addressed by the Ministry of Finance. This contributed to the late or failed submission of Appropriation Accounts.

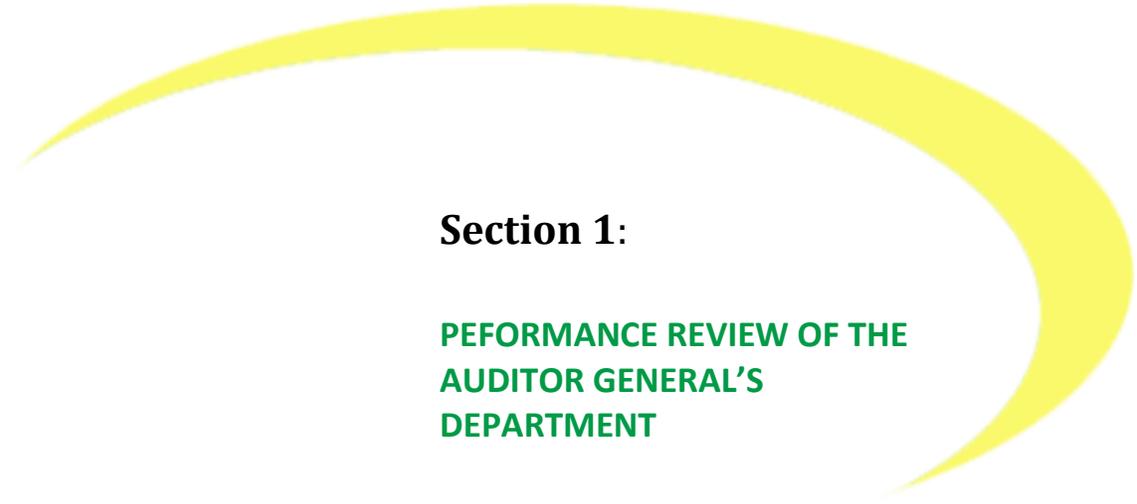
I cannot guarantee that all errors, irregularities or deficiencies were identified, as our scope was limited to the sample selected for review. Nevertheless, the audits were planned in such a manner to reasonably identify instances of breaches and irregularities. Some of the deficiencies identified during the audit, particularly in governance would have presented financial exposure (unresolved monetary risks) to the Government, underscoring the urgent need for Ministries, Departments and Agencies (MDAs) to strengthen governance arrangements and resource management to safeguard limited resources.

Again, weak governance was evident in procurement practices. The audits highlighted that it is fundamental that procurement activity engage all elements of good governance if the Government is

to realize value for money, as was evident in the reports for NWC and SERHA. Although there was largely compliance with the guideline the important element of planning, including needs and feasibility studies was absent which contributed to the risk of the intended benefit from the procuring activities not being realized. All findings were communicated to the respective Ministries, Departments and Agencies and they were provided with an opportunity to respond.

Finally, I must commend my staff for their commitment, contribution and support provided throughout the period. I must also thank the many stakeholders who responded to our call for participation in the AuGD's focus group discussions- the contributions made were invaluable. Finally, I extend warm appreciation to the Heads of Agencies for the courtesies extended to my staff.

Pamela Monroe Ellis, F.C.C.A., F.C.A.
Auditor General
27th DECEMBER 2017

A large, thick, yellow curved graphic that starts on the left, arches over the top, and tapers to a point on the right, framing the text.

Section 1:

**PEFORMANCE REVIEW OF THE
AUDITOR GENERAL'S
DEPARTMENT**

About Us

Vision

A better country through effective audit scrutiny

Mission

To conduct and make public, high quality audits and produce recommendations that are relevant to our auditees, the Parliament and the citizens

Our Values

To support the achievement of the Department's strategic direction, our core values were redrafted to meet the current needs of the Department.



Section 1:
**Performance Review of
the AuGD**

INDEPENDENCE

We will audit independently of the Executive and Legislative branches, thereby helping to ensure accountability and transparency of Government activities in an objective and impartial way.

PROFESSIONALISM

We will undertake our work in accordance with the requirements of international auditing standards.

OBJECTIVITY

We shall act in an impartial way. Audit conclusions and opinions are based exclusively on evidence.

CREDIBILITY

We work to constantly build and maintain trust with the general citizenry. We sustain credible, reliable and trusted professional teams in each respective field within our areas of responsibility.

INTEGRITY

We meet our professional responsibilities in an ethical and fair manner.

TRANSPARENCY

We operate in the spirit of full openness to the Jamaican society about the way in which it uses its public resources and about the impact of its audits.

**COLLABORATION AND
INVOLVEMENT**

We seek to collaborate with and involve all stakeholders in the fulfillment of its responsibilities in a constructive manner.

The Role of the Auditor General

The Constitution of Jamaica mandates the AuGD to conduct audits of all public-sector entities; this includes all Ministries, Departments and Agencies. Section 122 of the Jamaican Constitution gives the Auditor General the task of auditing the accounts of all government bodies, including those entities and projects on which Public Money is spent. This is confirmed by Section 30 of the Financial Administration and Audit (FAA) Act, Section 13.A.1 of the Public Bodies Management and Accountability Act (PBMAA, 2001) and the Parish Council's Act.

The AuGD does not audit all entities in the course of the same financial year, as our resources would not be sufficient. Part 3 of article 122 of the Constitution, states that “In the exercise of his functions under the provisions of subsections (1) and (2) of this section, the Auditor-General shall not be subject to the direction or control of any other person or authority”; therefore, audits selected are based on a risk based approach. There are however, some entities, which must be included each year in our audit portfolio, as the applicable legislation requires an audit of these entities on an annual basis.

Guiding Legislation

Annual Report

- Section 122 (2) of the Constitution and Section 29 (2) of the FAA Act require the Auditor General to submit to the Speaker her Report to be laid before the House of Representatives annually by the 31st December.

Special Report

- Section 29 (1) of the FAA Act makes provision for the Auditor General to prepare a special report on any matter incidental to her powers and duties under this Act.

Performance and Regulatory Audits

- Section 122 (5) of the Constitution provides the basis for us to conduct Performance and Regulatory Audits.

Fiscal Policy Paper (FPP)

- Section 48 (B) (6) of the FAA Act (2015) stipulates that the Auditor General shall, within 2 weeks after the Fiscal Policy paper is laid before both Houses of Parliament, examine the components of the FPP and give an opinion on the reasonableness of the assumptions and conventions and the justification for deviations from targets of the Fiscal Responsibility Report and provide a report to the Houses.

Any Public Body

- Section 13A (1) of the PBMA Act states that providing there is nothing contrary contained in any other enactment, the Auditor General may audit the accounts of any public body, if the House of Representatives, by resolution, so directs.

Client Organization

The Audit Universe of the Department includes all entities that may be subject to an audit by the Auditor General. In keeping with the current resources of the Department, a distinction is made between our audit universe and the statutory audit tasks, which are prescribed by legislation for annual audits.

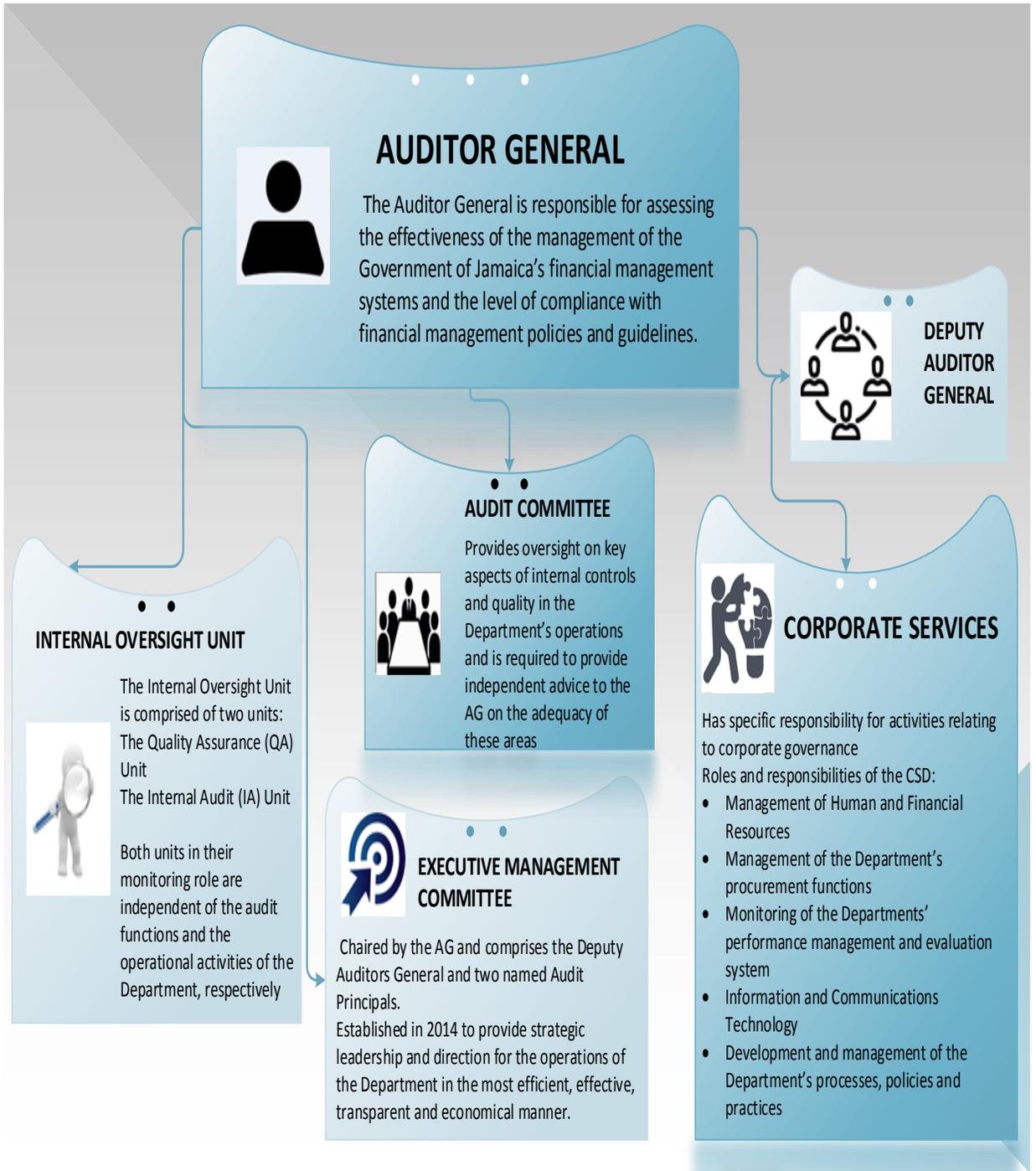
Table 1

<i>Entity Type</i>	<i>Audit Universe</i>	<i>AUGD Audit Plan</i>
<i>Ministries</i>	15	15
<i>Departments</i>	77	27
<i>Executive Agency</i>	12	12
<i>Fund</i>	2	2
<i>Government Company</i>	36	0
<i>Local Municipality</i>	14	14
<i>National& Public Libraries</i>	14	14
<i>Public/Statutory Body</i>	160	36
<i>Total</i>	330	106

In addition to the totals stated above, the Department is identified as the preferred auditors for some donor funded projects, which sometimes utilize GoJ funding. As of September 2017, a total of twenty-projects are also included in the Department's annual audit plan.

Accountability

The Department's Governance mechanisms are administered through the responsibilities of the Executive Management Committee along with the Audit Committee, the Quality Assurance Unit, the Internal Unit and the Corporate Services Division.



Stakeholder Consultation and Engagement

We continue to take deliberate actions to improve our engagement with our stakeholders, through focus groups as a preliminary step in planning our audits.

			
<p>Communication Policy</p> <p>Provides a framework, values and principles of how internal and external communication takes place within the AuGD.</p>	<p>Website and Social Media</p> <p>The AuGD's website and one social media presence provide two-way communication with all stakeholders.</p>	<p>Focus Group</p> <p>The AuGD convenes focus groups with stakeholders from the public and private sectors to obtain qualitative evidence from a strategic perspective on our study topic.</p>	<p>Internal Communication Mechanisms</p> <p>Annual General Meeting (AGM), Monthly Senior Officers Meeting, Periodic Unit Meetings, EMC Monthly Communique, Internal Newsletter - The Audit Voice, Internal Monthly Economic Report (IMER).</p>

The Year in Review at a Glance

6
Performance Audits

358
Financial Statements
Certified

17
Compliance Audits

6
Information
Technology Audits

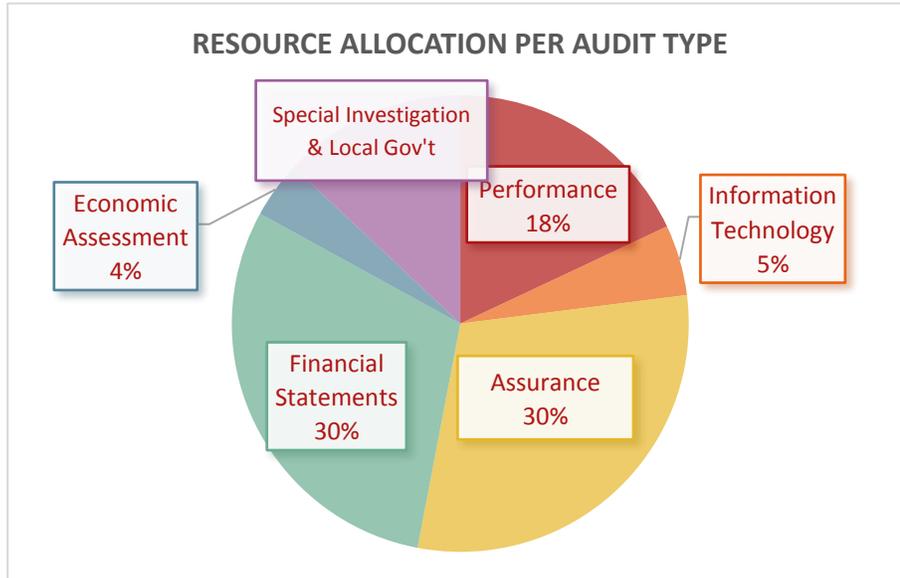
4
Economic
Assessments

6
Special Audits

Workforce capacity

The Department's workforce comprises of 164 team members of an approved structure of 210. The allocation of staff, outside of what has been designated under the established structure, is dependent on the types of audits undertaken. The AuGD in an effort to demonstrate ongoing relevance to citizens, Parliament and other stakeholders as embodied in ISSAI 12.

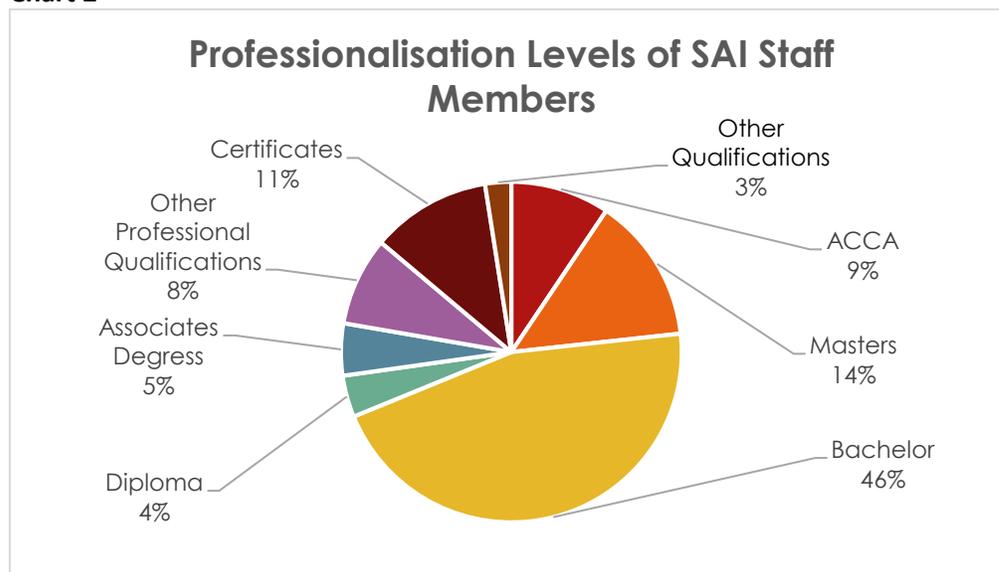
Chart 1



Strengthening our Human Capital

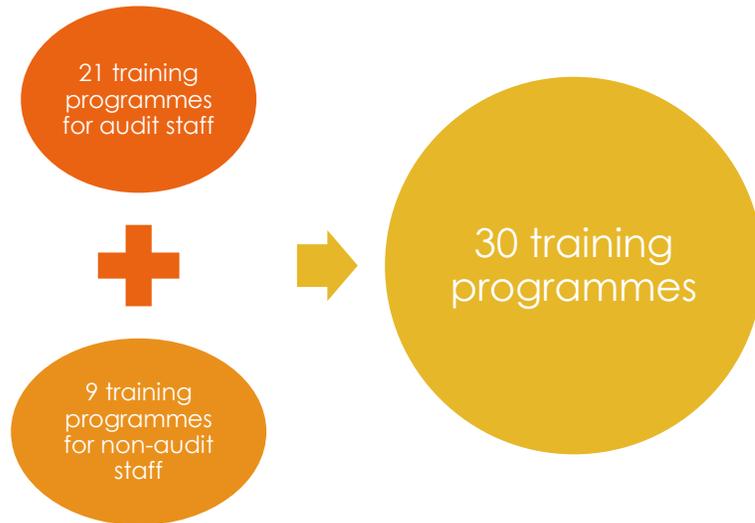
As of November 2017, the total staff complement stood at 164, of an approved establishment complement of 210, with the qualifications of our team distributed as follows:

Chart 2



As a means of supporting the continued professionalization of the Department's cadre of employees several training initiatives were undertaken during the 2017 calendar year:

Chart 3



Summary of Training Programmes Undertaken & Number of Participants (See full details in Appendix 1).



Partnerships (IDB/INTOSAI/CAROSAI)

Capacity-building initiatives undertaken during the period under review were provided and financed in some instances by our international and regional partners. These programmes were intended to address capacity gaps identified from the Department's training needs analysis in addition to the findings of the SAI-PMF assessment undertaken earlier this year.

Entities such as INTOSAI, INTOSAI Development Initiative, Inter-American Development Bank, the World Bank, CAROSAI, ACCA, NAO and MIND have provided invaluable support to the Department's training needs.

Our Financial Management

The Department's approved (revised) Expenditure Budget for the financial year ended 31 March 2017 amounted to \$628,847,000 while, the actual expenditure was \$594,910,794 against \$470,719,000 for 2015-2016. The approved revenue budget, namely Appropriation-in-Aid (AIA), was \$10.0M against a similar \$10.0M for 2015-2016. The Department collected \$3,146,738 in excess of the \$10.0M projected, and this excess was lodged to the Consolidated Fund as is required by Law. Thus, only \$10.0M was available to the Department for budgetary support.

We submitted the Appropriation Account for the year to the Ministry of Finance and the Public Service (MoFPS) to be audited in accordance with Section 122 (4) of the Constitution.

The Department's core audit activity is highly dependent on human capital, hence, compensation of employees, which amounted to \$394,813,006, accounted for 66.4% of total expenditure. This amount was favourable to budget by \$25.3M or 6.0% but significantly up from the \$328.0M, which was 68% of total expenditure in the 2015-2016 financial year. The increased expenditure resulted from the continued implementation of the revised Organisational Structure which resulted in an additional 12 new staff being employed as well as the 3% negotiated wage increase approved by Government of Jamaica for Public Sector employees which was implemented on April 1, 2016.

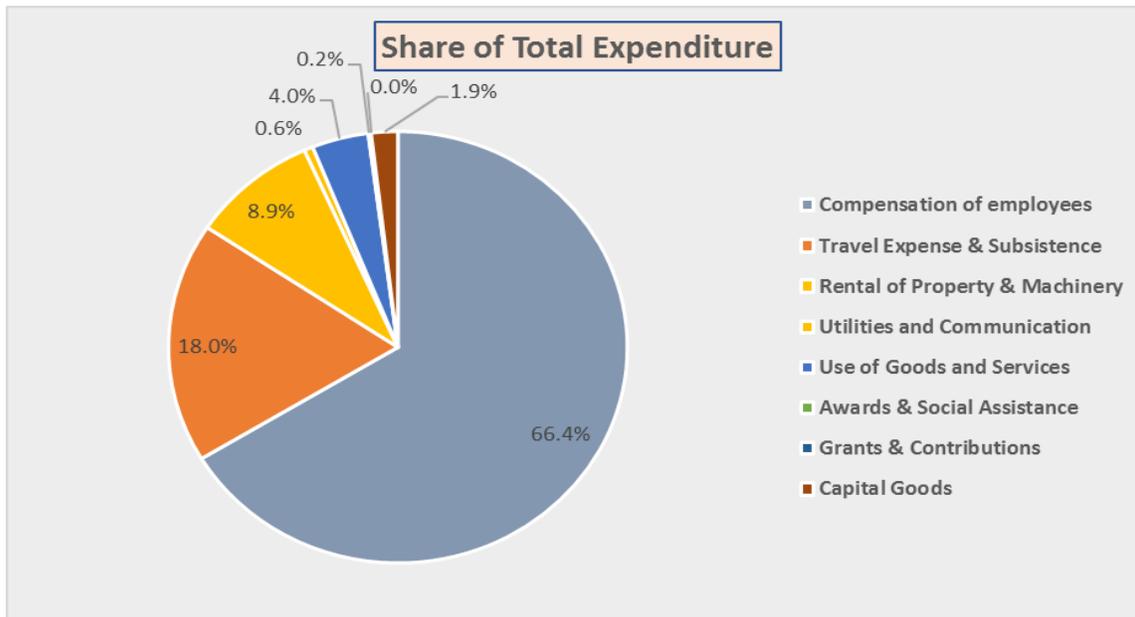
Travel expenses and subsistence of \$107.13M accounted for 18.3% of total expenditure; this was 0.6% or \$0.62M more than the revised estimates of \$106.51M. Prior year expenditure was \$69.02M and accounted for 14.7% of expenditures. The increase of \$38.11M (55.21%) over 2015-2016 resulted from the employment of additional audit staff who are travelling officers and current audit staff acquiring motor vehicles. The other major items of expenditure were rental of property and machinery of \$53.18M, which exceeded budget by \$2.141M or 4.8% and accounted for 8.9% of total expenditure. This item of expenditure was also impacted by the employment of additional staff and other members acquiring motor vehicles resulting in the need to rent additional parking spaces. Also, Goods and services of \$23.73M, which

accounted for 4.0% of expenditures but favourable to budget by \$13.55M or 36.3%. The savings realized from goods and services was fuelled by the Department benefiting from training opportunities in Information Technology Audit funded by the IDB through the PSEP Project. The Department had an overall favourable expenditure of \$33.94M or 5.4% when compared to revised budgeted expenditure. The IDB also funded the acquisition of additional Laptops under the PSEP Project.

Table 2 - Summary of Expenditure vs. Budget for Financial Year Ending March 31, 2017

Object	Description	Revised Estimates 2016/2017	Actual Expenditure 2016/2017 (Unaudited)	Variance Surplus/(excess)	% Variance from Budget fav/(unfav)	% Share of total Expenditure
		(J\$)	(J\$)	(J\$)	%	%
21	Compensation of employees	420,107,000	394,813,006	25,293,994	6.0	66.4%
22	Travel Expense & Subsistence	106,507,000	107,128,273	(621,273)	(0.6)	18.0%
23	Rental of Property & Machinery	49,082,000	53,184,817	(4,102,817)	(8.4)	8.9%
24	Utilities and Communication	8,384,000	3,731,381	4,652,619	55.5	0.6%
25	Use of Goods and Services	40,786,000	23,728,835	17,057,165	41.8	4.0%
29	Awards & Social Assistance	1,500,000	994,449	505,551	33.7	0.2%
30	Grants & Contributions	181,000	215,839	(34,839)	(19.2)	0.0%
32	Capital Goods	2,300,000	11,114,194	(8,814,194)	(383.2)	1.9%
Total Funding requirement		628,847,000	594,910,794	33,936,206	5.4	100.0%
Appropriations in Aid (AIA)		(10,000,000)	(13,146,738)	3,146,738	(31.5)	
Net Funding Requirement		618,847,000	581,764,056			100.0%

Chart 4



OUR FINANCES AT A GLANCE - LOOKING AT OUR PAST

Table 3 - Financial trends for the past four years with our planned expenditures for 2017/2018

Object	Description	Estimates	Actual Expenditure for years ended March 31					Line Items as a % of Total Operating Expenses				
		2017/2018	2016/2017 (Unaudited)	2015/2016	2014/2015	2013/2014	Estimates 2017/2018	2016/2017 (Unaudited)	2015/2016	2014/2015	2013/2014	
		(J\$'000)	(J\$'000)	(J\$'000)	(J\$'000)	(J\$'000)	% of Total	% of Total	% of Total	% of Total	% of Total	
21	Compensation of employees	421,919	394,813	327,987	194,207	207,080	65.0%	66.4%	69.7%	60.2%	60.4%	
22	Travel Expense & Subsistence	118,779	107,128	69,020	62,094	58,937	18.3%	18.0%	14.7%	19.3%	17.2%	
23	Rental of Property & Machinery	50,772	53,185	42,586	39,315	39,043	7.8%	8.9%	9.0%	12.2%	11.4%	
24	Utilities and Communication	8,703	3,731	2,110	2,053	8,409	1.3%	0.6%	0.4%	0.6%	2.5%	
25	Use of Goods and Services	37,274	23,729	25,637	15,958	26,852	5.7%	4.0%	5.4%	4.9%	7.8%	
29	Awards & Social Assistance	1,500	994	427	971	1,639	0.2%	0.2%	0.1%	0.3%	0.5%	
30	Grants & Contributions	181	216	181	206	163	0.0%	0.0%	0.0%	0.1%	0.0%	
32	Capital Goods	9,777	11,114	2,771	7,753	446	1.5%	1.9%	0.6%	2.4%	0.1%	
Total Funding requirement		648,905	594,911	470,719	322,557	342,568	100.0%	100.0%	100.0%	100.0%	100.0%	
Appropriations in Aid (AIA)		-10,000	-13,147	-13,147	-13,147	-13,147	-1.5%	-2.2%	-2.8%	-4.1%	-3.8%	
Net Funding Requirement		638,905	581,764	457,572	309,410	329,422						

Our Impact

Increasing the impact of our Audits

While the AuGD always engaged stakeholders, the AuGD recognized the need to develop a systematic approach to communicate better with stakeholders to ensure that stakeholders understand the role of the AuGD, our audit work and results as well as the AuGD understanding stakeholders' expectations (Figure 1). This is necessary for the AuGD to remain relevant to all stakeholders – particularly citizens and Parliament – considering their different roles and contributions to improvements in the public sector. This also conforms with the Supreme

Audit Institution Performance Measurement Framework (SAI PMF) recommendation for greater engagement by the AuGD with stakeholders.

An effective stakeholder engagement strategy serves to maximize the impact and value of audit reports and contribute to stakeholders' awareness of the need for transparency and accountability in the public sector. The development of a framework for engaging stakeholders also forms part of the AuGD's thrust to enhance compliance with standards issued by INTOSAI.

ISSAI 12 requires Supreme Audit institutions (SAIs) to demonstrate ongoing relevance to citizens, parliament and other stakeholders, "by appropriately responding to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted." In that regard, the AuGD finds it necessary to develop a framework to facilitate effective communication and engagement with stakeholders.

FIGURE 1 INTERRELATEDNESS BETWEEN SAI AND STAKEHOLDERS

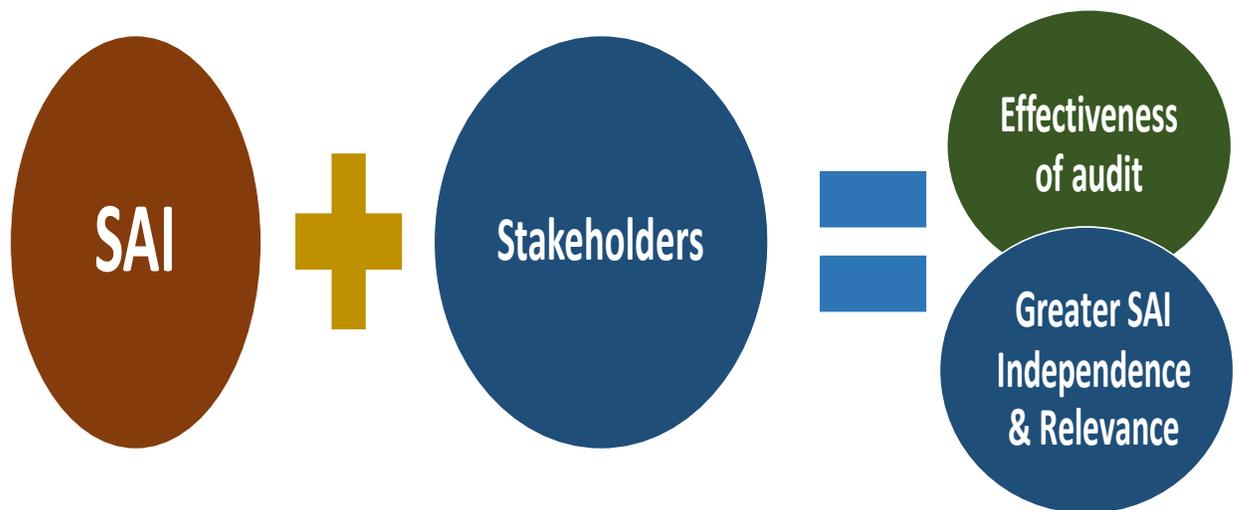
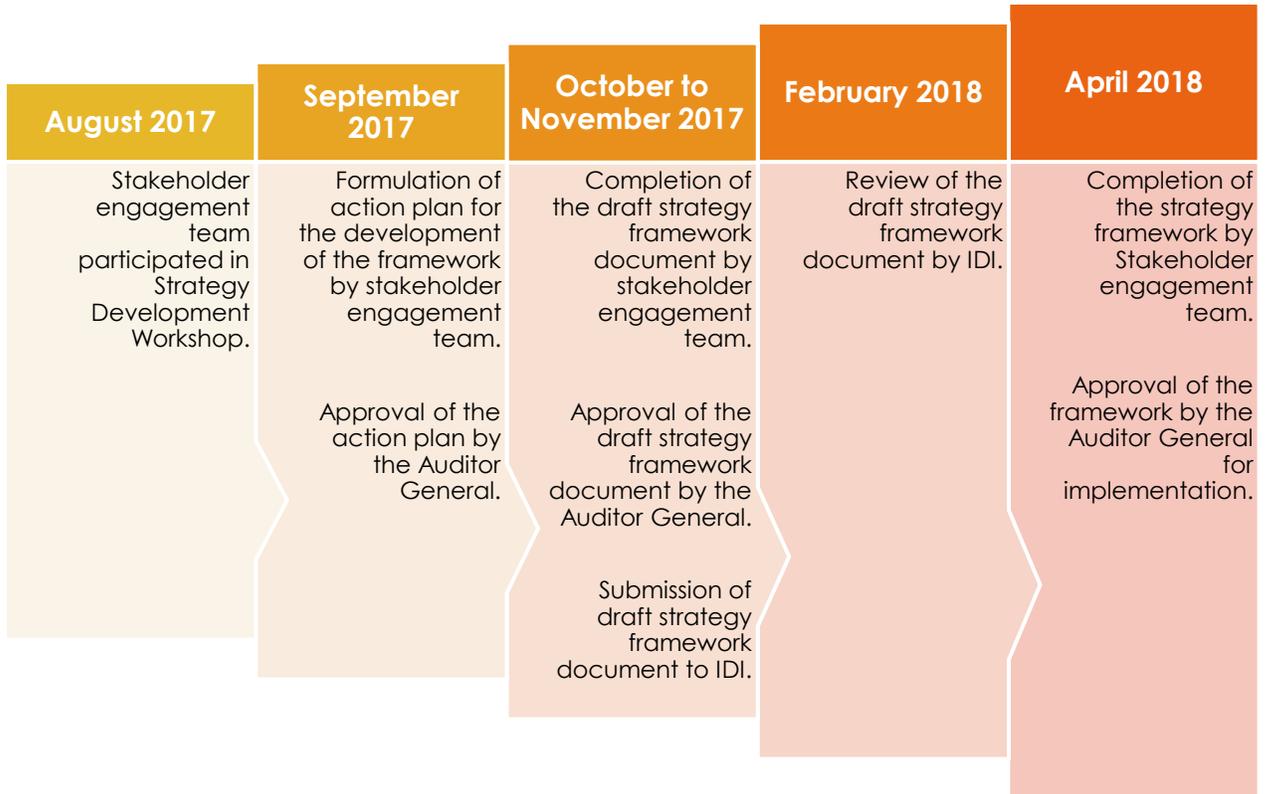


FIGURE 2: ACTIONS AND TIME PERIOD FOR DEVELOPING THE STRATEGY



Looking forward

The Supreme Audit Institution Performance Measurement Framework (SAI PMF)

The Auditor General of SAI Jamaica commissioned an external assessment of the Department's overall performance. The Inter-American Development Bank (IDB) generously provided the funding and support required for the project. The assessment was conducted by a team of independent consultants contracted by the IDB. The new Endorsement Version¹, which was adopted by the INTOSAI Congress at the XXII INCOSAI meeting held in Abu Dhabi, in December 2016 was used for the assessment, which was undertaken in January 2017.

Intention of the SAI PMF

One of the primary purposes for the SAI PMF for the AuGD evaluation was to inform the Department on our level of compliance with international standards on auditing and on those areas within the Department that were in need of improvement. Secondly the outcome of the findings would also be used to guide the finalization of the Department's Strategic Business Plan (SBP) for 2018 – 2021. In addition, the assessment would highlight areas of progress on which we will continue to build and gaps we believe we must address, in order to enhance our efficiency and effectiveness.

The SAI-PMF Assessment

It is a performance measurement framework developed for SAIs intended to give a holistic, high -level assessment of SAI performance against established INTOSAI best practice, usually based on:

- The International Standards for Supreme Audit Institutions (ISSAI) framework;
- The Framework on the Value and Benefits of SAIs to its citizens (ISSAI 12);
- Other INTOSAI guidance material.

It combines objective measurement and qualitative assessment, to provide:

1. Measurable Indicators (ISSAIs) or objective measurement to inform on the qualitative assessment and track progress over time,

¹ SAI PMF Endorsement Version (22 April 2016).

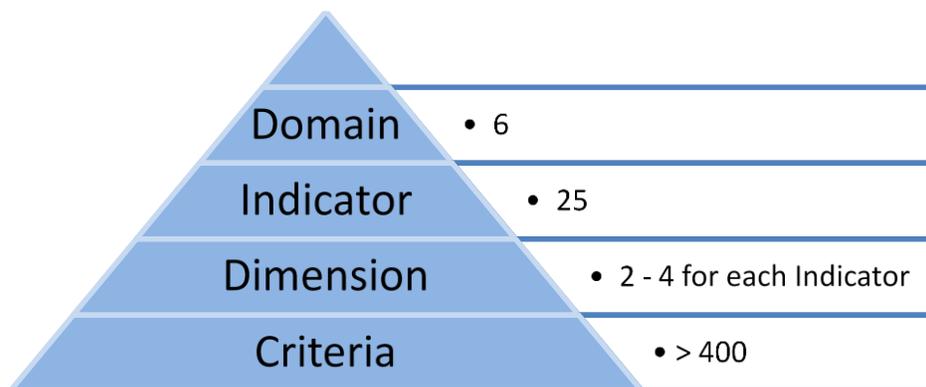
2. A Qualitative Assessment (Performance Report) of a SAI in the country context and its environment, including factors not covered by the indicators, and which contributes to identifying the value and benefits of SAIs to its citizens.

The SAI Performance Report is therefore a narrative report, which provides the reader with an overall picture of the SAI’s performance, informed by an understanding of the environment in which the SAI operates, the interdependencies between the different aspects of the SAI’s performance, and the detailed assessment of findings and indicator scores. The Performance Report is the key output of a SAI PMF assessment and provides analysis beyond the indicator scores.

SAI PMF Structure and Performance Measurement

Figure 3

SAI PMF Structure and Terminology



- Domain A. Independence and legal framework
- Domain B. Internal Governance and Ethics
- Domain C. Audit Quality and Reporting
- Domain D. Financial Management, Assets and Support Services
- Domain E. Human Resources and Training
- Domain F. Communication and Stakeholder Management

All six domains (A-F) and all but three of the twenty-five Indicators of the newly adopted SAI PMF Endorsement version were used as the basis of the assessment. The indicators for Jurisdictional Controls (SAI 18, 19 & 20) were omitted, as they were not relevant to our SAI, which is based on the Westminster model and does not have a judicial mandate. The assessment period related primarily, to the last completed financial year 2015/16 but included evidence from audits and other support material related to FY 2016/17.

Each indicator sought to measure the performance of the SAI on a key area against a five-point scale from 0 to 4. Since many indicators consist of several dimensions, each dimension must first be scored separately, using guidance provided in the SAI PMF document. The dimension scores are then aggregated into a score for the whole indicator. There is no aggregated score for the entire SAI because all indicators are not equally important, and their relative importance will vary from SAI to SAI and from year to year. An overall analysis of the performance of the SAI should instead be provided in the narrative Performance Report.

Results of the SAI PMF

The summary of the scores for each Indicator and Dimension under each Domain for the assessment were as follows:

Table 4

Indicator	Name	Dimensions				Overall score
		i	ii	iii	iv	
Domain A Independence and legal framework						
SAI-1	Independence of the SAI	2	1	2	3	2
SAI-2	Mandate of the SAI	3	4	4		4
Domain B Internal governance and ethics						
SAI-3	Strategic Planning Cycle	2	2	2	2	2
SAI-4	Organizational Control Environment	2	2	3	2	2
SAI-5	Outsourced Audits	3	4	1		3
SAI-6	Leadership & Internal Communication	3	3			3
SAI-7	Overall Audit Planning	1	1			1
Domain C Audit quality and reporting						
SAI-8	Audit coverage	1	3	1	n.a	2
SAI-9	Financial audit standards and QM	4	4	3		4
SAI-10	Financial audit process	3	1	3		2
SAI-11	Financial audit results	n.s.	0	2		1
SAI-12	Performance audit standards and QM	3	4	3		3
SAI-13	Performance audit process	3	3	3		3
SAI-14	Performance audit results	4	4	3		4
SAI-15	Compliance audit standards and QM	3	3	2		3
SAI-16	Compliance audit process	2	1	3		2
SAI-17	Compliance audit results	2	0	2		1
SAI-18	Jurisdictional control standards	Not applicable				n.a.
SAI-19	Jurisdictional control process	Not applicable				n.a.
SAI-20	Jurisdictional control results	Not applicable				n.a.
Domain D Financial Management, Assets and Support Services						
SAI-21	Financial Management, Assets and Support Services	3	2	4		3
Domain E Human Resources and Training						
SAI-22	Human Resource Management	4	3	4	3	3
SAI-23	Professional Development and Training	2	1	1	1	1
Domain F Communication and Stakeholder Management						
SAI-24	Communications with the Legislative, the Executive and the Judiciary	1	3	1	1	1
SAI-25	Communication with the Media, Citizens and Civil Society Organizations	1	1			1

The SAI PMF is an evidenced based assessment, and the assignment of weak scores for an indicator are not necessarily a reflection of non-compliance with international standards by the Department, but may occur where:

- Evidence was not provided in support of the area being assessed, or
- The context of the country systems in which the SAI operates is outside of its control.

Consequently, a SAI with low scores on the SAI PMF can perform better than a higher scoring SAI given its resources, mandate and history. The SAI PMF aims to identify strengths and weaknesses of an individual SAI rather than judging and ranking SAIs against each other.

Summary of Findings and Action Plans

In general, the results of the SAI PMF were in keeping with the expectations of the Department. The findings indicated strong results in area of Governance, mixed results in audit quality and reporting, and the lowest scores reflected in the area of stakeholder management and communication with the media.

Before the assessment was completed, we had already taken steps to address many of the issues identified in the SAI PMF and we continue to implement measures to build up our capacity for conducting higher quality compliance audits. Some of the initiatives include the development of a Compliance Audit Manual to address the deficiencies noted in this area, while compliance auditors have received training in compliance audit techniques provided by consultants out of the National Audit Office (NAO) in the United Kingdom.

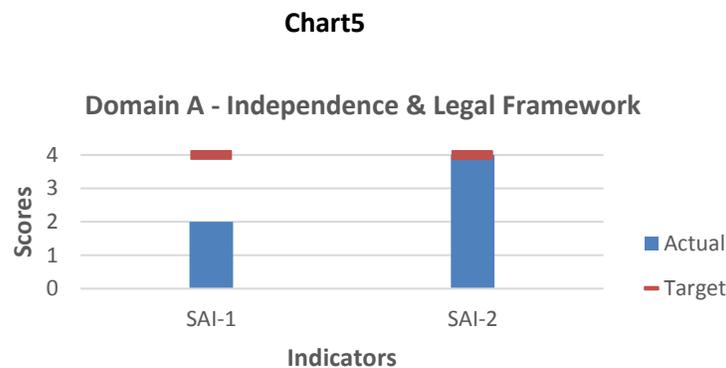
We have prepared our Stakeholder Engagement Plan, which we will upload to our website along with our Strategic Business Plan. In addition, we have employed the services of a Communications Officer to assist in improving communication with our stakeholders.

Outlined hereunder are the detailed findings of the SAI PMF assessment as it relates to the indicators under each Domain.

FINDINGS

DOMAIN A: INDEPENDENCE AND LEGAL FRAMEWORK

Indicators SAI 1 & 2:



- The AuGD operates within an appropriate and effective constitutional framework and there was no evidence of external interference in the work carried out by the AG and officials of the AuGD. However, its financial and organizational independence/autonomy is constrained. This is due to the role played by the MoFPS and the Public Services Commission (PSC) respectively in determining the resources available to the AuGD and the overall staff establishment. International standards require the AuGD to enjoy much greater operational independence than the current arrangements allow. Consequently, a key recommendation of the SAI PMF was for the AuGD to work with its key stakeholders to strengthen its financial and operational independence.
- The mandate of the AuGD, under the Constitution of Jamaica and the Financial Administration and Audit Act, is relatively strong and enables the AuGD to undertake financial audit, compliance audit, and performance audit. However, due to the large number of mandatory audits, some thirty public bodies, for example, which absorbs a large part of the AuGD's resource capacity, the AuGD is affected in its ability to adequately allocate its audit resources based on assessed risks.

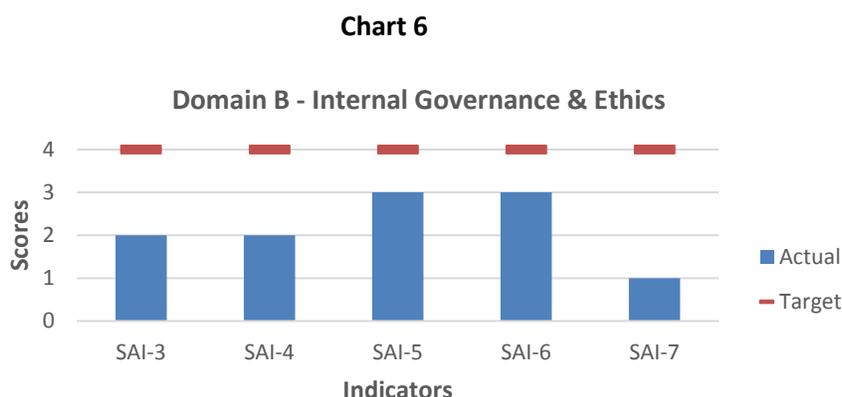
ACTION TO BE TAKEN:

- In keeping with our strategic plan, we will explore with our stakeholders, including the Ministry of Finance and the PAC, how the AuGD can gradually free its resources to focus them on higher risk audits by outsourcing certain routine audits. The quality assurance assessment for these audits will remain the responsibility of the AuGD.

- We have also prepared our Stakeholder Engagement Plan. This was done through the assessment of the AuGD’s current approach in engaging stakeholders, identifying and analyzing expectation gaps leading to the development of strategies to engage key stakeholders. The plan will be uploaded to our AuGD website.

DOMAIN B: INTERNAL GOVERNANCE AND ETHICS

Indicators SAI 3 – 7:



The AuGD is guided by government-wide in the preparation of its rolling three-year strategic business plan and annual operational plan accompanying the budget submission, and was identified as one of the AuGD’s key strengths.

Organizational control environment is robust as the AuGD has strong processes in place for communicating and monitoring the ethical behaviour of its officials as key reforms have been implemented through the recommendations of the PricewaterhouseCoopers (PwC) review undertaken in 2012.

Leadership and Internal Communication is operating effectively via the support of various Executive Management and sub-committees. However, there is room for improvement in the formulation, communication and use of key performance indicators in preparing the strategic business plan. Overall, audit planning process and content is deficient and requires a top down approach, and detailed resource planning while applying a risk assessment to prioritize audits.

There is also room for improvement in its arrangements for audit quality assurance and control.

ACTION TO BE TAKEN:

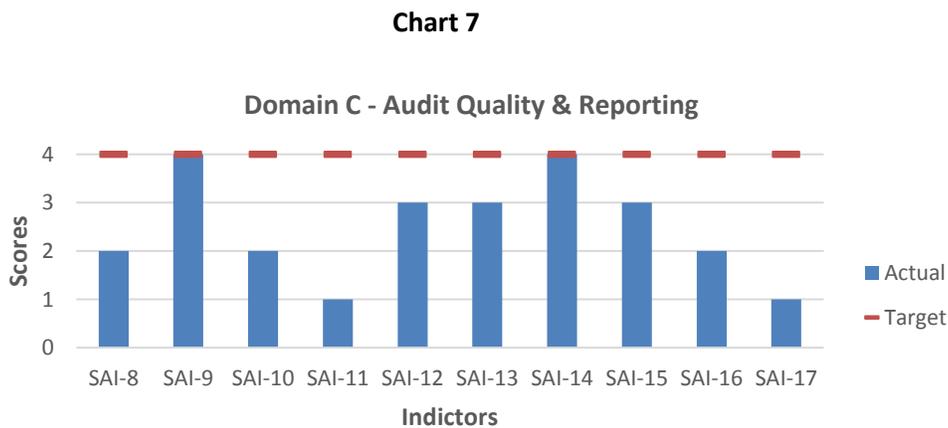
- We will move from an annual audit plan that is collated in January of each calendar year to a rolling three-year audit plan that is prepared in tandem with the strategic

business plan in November of each Financial Year. The plan will also detail the resources dedicated to each audit as well as the time allocated to the completion of the audit.

- The AuGD will adopt and implement a staff time recording system to support better management of resources and support better planning. This will generate reliable data on the staff costs for each audit and will require the adoption of time sheets for all employees as we seek to demonstrate our core values relating to transparency and professionalism.
- The inclusion of non-audit (internal activities/projects) hours in audit plans, indicating where there are shortfalls between available and required hours, and signalling the possible outsourcing needs for the Department.
- By the end of the current Financial Year, the QA Unit will have conducted not only ‘hot’ and ‘cold’ reviews but for all audit types within the AuGD’s audit practice, in ensuring that the AuGD’s audit reports comply with the ISSAIs that we have adopted as our audit standards.

DOMAIN C: AUDIT QUALITY AND REPORTING

Indicators SAI 8 – 17:



The audit quality and reporting for the AuGD’s financial, compliance and performance audits had mixed results.

- Performance audit was largely positively assessed for audit - coverage, standards, process and results. However, the performance audit topics are more entity-based and excluded cross-cutting policies.

- Both financial and compliance audits reports were well drafted and reflected good practice, there was room for improvement in areas such as the systematic implementation of standards for all audits and the timeliness of reporting for financial audits. The determination of timeliness of reporting for financial statements audits was inhibited by incomplete records of the date of receipt.
- There are no Consolidated Financial Statements (due to delays or non-submission of draft accounts by many MDAs), no reporting of non-submitted Financial Statements and Appropriation Accounts in the Annual Report, and for both Financial Statements and Compliance Audits the audit reports are not published in the Annual Report or only in brief on the main outstanding issues.
- The audit procedure manual needs improvement as it is geared towards financial audits and not tailored to the specific objectives of Compliance Audits.

ACTION TO BE TAKEN:

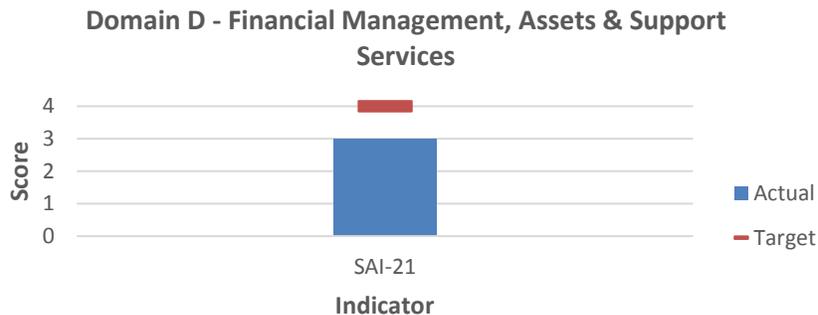
The AuGD is making good progress towards achieving its ultimate objective of ensuring that all its audits are fully compliant with the ISSAIs, the framework of international standards that the AuGD works within.

- Going forward our performance audits will be completed based on government wide themes for which topics will be selected in line with the Government National Outcomes.
- In order to reduce the late presentation of accounts by MDAs due to the key weakness of accountability and transparency of the Government of Jamaica operations, the AUGD will engage with the Ministry of Finance in order to reduce the backlog and reduce the likelihood of the current situation returning.
- Our incoming mail registration system will be revamped in an effort to effectively track financial statements received from our clients.
- We will engage our stakeholders, including the MOFPS and the PAC, on how the AuGD can gradually free its resources to focus them on higher risk audits by outsourcing certain routine audits. The quality assurance assessment for these audits will remain the responsibility of the AuGD.
- A Compliance Audit Manual has been developed by NAO consultants and will be completed for the use of the Department in the current Financial Year.

DOMAIN D: FINANCIAL MANAGEMENT, ASSETS AND SUPPORT SERVICES

Indicator SAI 21:

Chart 8



The findings of the SAI PMF indicated that the AuGD operates within a strong, well-defined structure in relation to financial and asset management, and support services. The Corporate Services Division had staff that were dedicated and with appropriate skills in carrying out their functions. However, two key areas were pointed out for improvement.

A more strategic approach is needed to improve on the planning and management of its IT and other assets, by for example, developing a staff cost recording system.

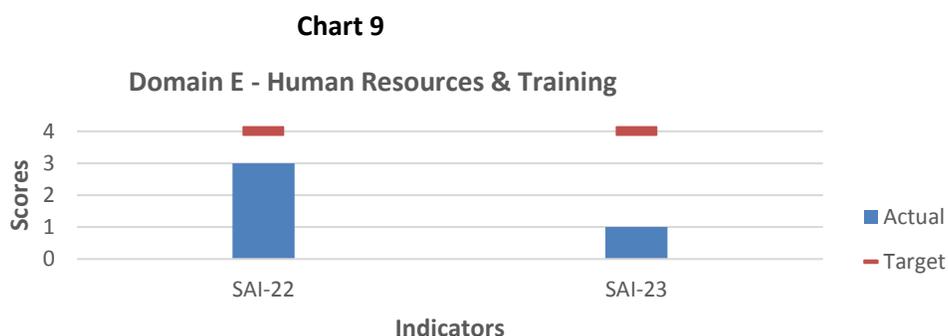
The AuGD continues to be audited by the Ministry of Finance’s Internal Audit Unit and given the Implications for the Department’s independence, is seen as a conflict of interest on both the part of the Department and the Ministry of Finance. The SAI PMF recommended that in the light of the requirements of international audit standards, this should be changed and ideally an external auditor independent of the AuGD and the government of Jamaica should be appointed to conduct these audits.

ACTION TO BE TAKEN:

- The AuGD plans to carry out a detailed, comprehensive review of its IT requirements.
- Discussions held by the AuGD with the MOFPS and the PSC, were initiated by way of a draft Cabinet Submission about securing greater operational independence for the AuGD in managing resources and allocating the resources.

DOMAIN E: HUMAN RESOURCES AND TRAINING

Indicators SAI 22 – 23:



- The SAI PMF found that the AuGD had developed a strong Human Resource Management function.
- However, in respect of professional development and training, the implementation of its policy and plans were contingent on obtaining external funding such as through the Cabinet Office of the GOJ or international donors. Such dependency could be reduced by establishing and staffing appropriate in-house methodological training.
- Accordingly, the SAI PMF recommended that the AuGD make greater, more extensive use of the contracting out of its routine audit work so that it could focus its resources more effectively on those activities that would have a more significant impact on securing beneficial improvement in the management of government funds, programmes and activities in Jamaica. The SAI PMF also recommended that the AuGD work closely with its key stakeholders and international partners to secure more resources that could be devoted to improving the professional capacity and capabilities of its audit staff.

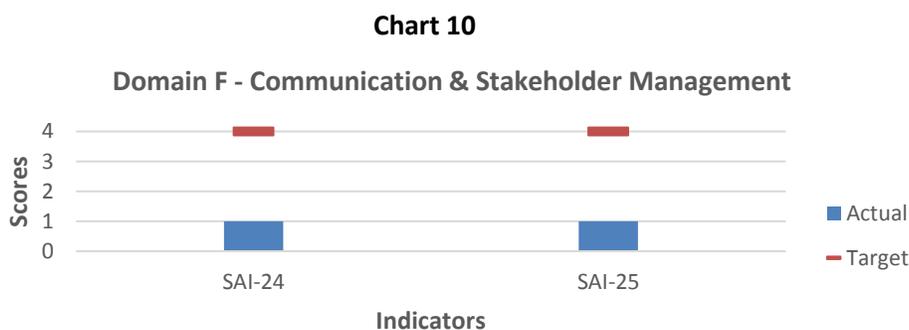
ACTION TO BE TAKEN:

- The organisation of training and sensitisation sessions for auditors on new methodologies will be coordinated from the HR unit, in addition to the monitoring of AuGD's audit manuals and audit guidance documents to ensure that they are kept up to date at all times.

- The AuGD will prepare a strategy aimed at supporting the continued professional development of team members, by building on current developments within the wider INTOSAI community where the professionalization of Audit Office staff is an issue of growing importance.

DOMAIN F: COMMUNICATION AND STAKEHOLDER MANAGEMENT

Indicators SAI 24 – 25



The SAI PMF concluded that, of all the aspects of the AuGD’s activities it examined, the AuGD’s communications and stakeholder management was the least developed.

- An external communication strategy is required as little communication with the media and civil society exists. No press releases are issued, no press conferences held and no approaches made to the media.
- Communication with the executive, the judiciary and anti-corruption institutions such as the Office of the Contractor General is confined to a minimum.
- However, a constructive relationship with the Public Accounts Committee of the House of Representatives is maintained.

ACTION TO BE TAKEN:

As previously stated the AuGD has already taken steps to address the issues raised in this regard, and made it a priority by preparing a comprehensive strategy for identifying the most effective methods for engaging with the full range of its stakeholders. This will ensure that it communicates the results of its audits in a way that secures the impact of that the AuGD’s audit findings, conclusions and recommendations. The draft Strategy was completed on November 30, 2017 and is available online or via our LinkedIn account for comments.

The AuGD will also embark on deliberate strategies geared towards effective stakeholder management as a means of providing value to the general citizenry and other key stakeholders.

Strategic Business Plan, Charting the way forward

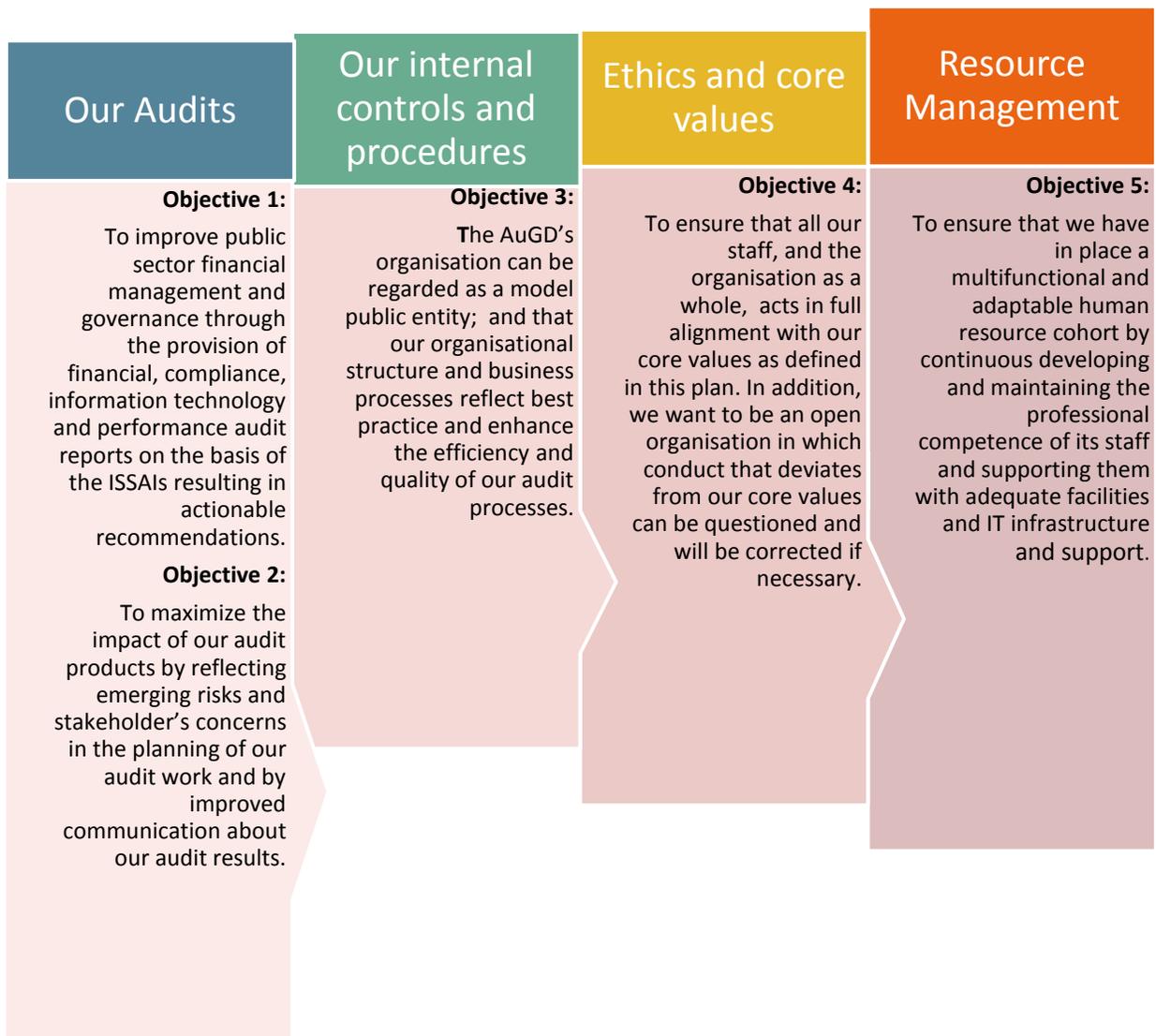
The Auditor Generals' Department Strategic Business Plan for the 2018 – 2021 financial years seeks to build on:

- The AuGD's key strengths, which are, clustered around its internal organisation, specifically with regard to our leadership, human resource management, financial management and internal communications functions.
- The Strengthening of our audit activities covering our financial, compliance and performance audit functions with the intention of making improvements in the planning of the audit activities and in the more consistent application of international audit standards across the AuGD's work.
- Improving our interactions with stakeholders to deliberately seek ways of communicating the results of our audits to the general citizenry.

Several of the indicators detailed in this plan have been taken from the Supreme Audit Institution Performance Measurement Framework (SAI PMF), a tool developed by the International Organisation of Supreme Audit Institutions (INTOSAI). These indicators will form the basis for monitoring and determining the Department's achievements against its five objectives.

Figure 4

AUGD'S FIVE STRATEGIC OBJECTIVES



The Thematic Map

Our recently published Thematic Map Report guides the AuGD in undertaking audits that deal with government-wide themes and activities. The five (5) thematic areas are as follows:

Governance

- There is a need for greater oversight and monitoring of Government programmes and activities to ensure transparency and accountability in the use of public resources. The component also takes into consideration proper planning and performance management within government entities.

Project Management

- Two major themes were noted for special attention - planning & evaluation and implementation & monitoring, based on the intrinsic weaknesses which have been identified in audits conducted over the last five years.

Resource Management

- Resources include money, human skills, information and communications technology. Various control elements have been implemented by the GoJ to monitor and manage these resources, however, administrative, financial and operational management inefficiencies have been common deficiencies identified in audits conducted in the last five years.

Procurement and Contracts Management

- A common weakness was that the procurement process, though clearly documented, was not always fair, transparent and open to competition.

Section three of our report outlines the findings of our audits around these themes and sectors, as well as summaries of the financial exposure to the GoJ by entities non-conformance which were identified through our audit coverage for the period December 2016 – November 2017.

Leading by Example

Internal Oversight

The Internal Oversight Unit is comprised of two units:

- The Quality Assurance (QA) Unit
- The Internal Audit (IA) Unit

Both units in their monitoring role are independent of the audit functions and the operational activities of the Department, respectively.

Quality Assurance Unit

The Year in Review

The Quality Assurance Unit is responsible for providing the assurance that the standards and methodology employed by our auditors in conducting the audits of the MDAs, are maintained at a high level in keeping with the International Standards of Supreme Audit Institutions (ISSAIs), and the reports issued are appropriate. It helps the AuGD accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of audit, quality control, risk management, internal control and governance processes.

We conduct our Quality Assurance reviews in accordance with international standards issued by the International Organization of Supreme Audit Institutions (INTOSAI), the AuGD's Quality Assurance Framework and QA policy, International Standards on Quality Control (ISQC 1) and best practices.

During the year, the QA unit was able to improve on the number and types of reviews over the previous year. In addition, the unit completed the development of QA procedural guidelines and the adoption of a detailed Quality Assurance Review Manual, both of which are currently under review. The AuGD should complete the final review and adoption of these procedures within the current fiscal year.

Relevant Strategic Objectives:

- Developing and maintaining the professional competence of staff.
- Ensuring transparency, accountability, effectiveness and efficiency in our internal processes, with due regard to quality and best practices.

Our Achievements



The Year Ahead



Quality Assurance Reports

During the year, the QA team successfully completed reviews of two activity-based audits, two performance audits and two financial statement / financial statement assessment audits. In addition, the unit also reviewed a compliance audit and the draft report is currently being done. The reviews resulted in the identification of weaknesses, which have allowed for improvements to be made by the Department in 2017.

In its capacity for monitoring ethics and compliance within the Department, the QA unit also conducted an institutional review on Ethics and Compliance with Professional Standards within the AuGD. The unit also oversaw the successful conduct of the SAI PMF review by external consultants and participated in various capacity building training programmes.

Summarized below are the quality assurance reviews that were completed during the reporting period (December 2016 to November 2017).

Table 5: Quality Assurance Reviews (QAR) Covered

Audit Topics	Audit Type	QAR of Entire Audit Process	QAR of the Audit Report Only
Jamaica Civil Aviation Authority	Activity Based	✓	
Jamaica Customs Agency	Activity Based	✓	
National Health Fund	Performance	✓	
National Health Fund	Financial Statements Assessment	✓	
Transport Authority	Performance	✓	
National Works Agency	Financial Statements	✓	
Court Management Services	Compliance (in progress)		
Jamaica Mortgage Bank	Performance Audit		✓
Clarendon Alumina Production	Analytical Financial Review of Public Bodies		✓
Examination of the FPP 2017/2018 Interim Report	Fiscal Policy Paper – Ministry of Finance and the Public Service		✓

Our Findings

While there has been general compliance with the relevant standards, the Department acknowledges that there is still room for improvement especially as it relates to the time it takes for our audits to be completed. Likewise, the Department also acknowledges the need to ensure that a high standard of accuracy and consistency is maintained in the conduct of our audits.

Looking Forward

The Human Resource unit continues to follow up in its endeavour to fill the vacant position within the QA unit. When achieved, the unit will be able to increase the number of QA reviews completed and improve on the level of value-added services to the AuGD in the upcoming year.

Arising from the implementation of recommendations made by the external consultants during the recently concluded SAI-PMF assessment conducted on the Department, it is expected that the capacity of the AuGD will be strengthened and allow for improved compliance with international standards.

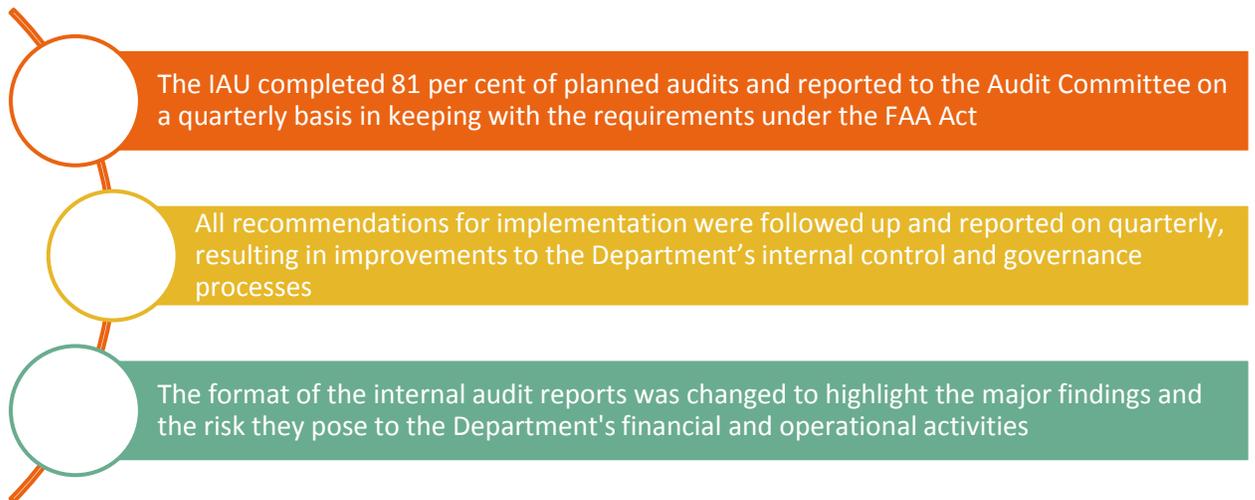
Internal Audit

The Year in Review

The Internal Audit Unit (IAU) continues to monitor the Financial and Administrative operations of the Department through the implementation of its audit plan. It helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our Achievements

The team completed internal audits for most of the high-risk areas identified in the risk assessment process during the audit planning phase for the reporting period. The identification of areas of weaknesses accompanied by relevant and practical recommendations, allowed management to implement required controls resulting in improvements in the Department's operations.



Summarized below are the audits conducted by the IAU and presented on a quarterly basis to the Audit Committee during the reporting period December 2016 to November 2017.

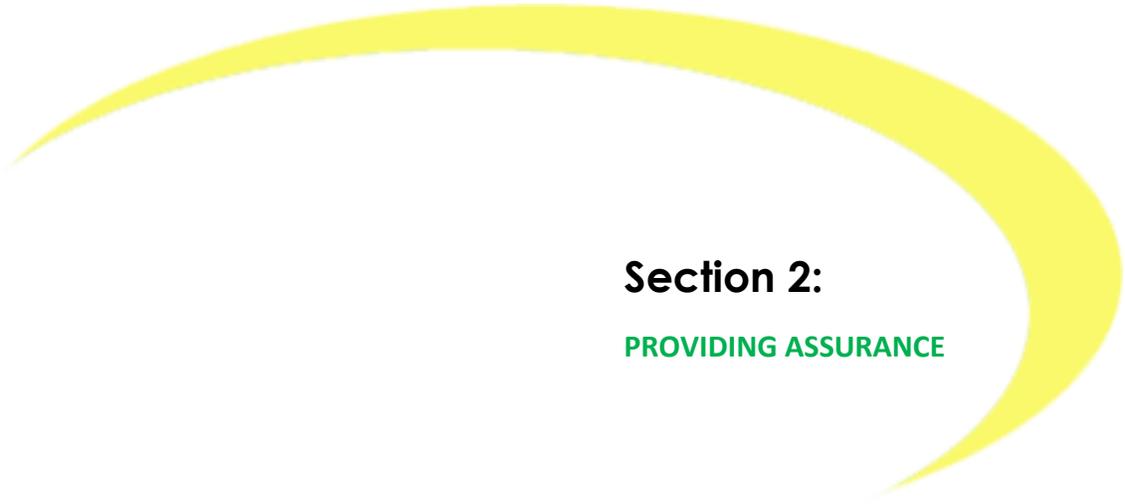
Table 6: Internal Audit Areas Examined

AUDIT TOPICS	
Appropriation Accounts (2016/2017)	
Monthly Financial Statements	
Human Resources- Performance Management Appraisal System (PMAS)	
Telephone Usage, Traveling, Accommodation and Subsistence	
Accounts Receivables – Appropriations-in-Aid (AIA)	
Salaries System (Overtime and Salaries Control)	
Overseas Travelling	
Stores and General Supplies	
Fixed Asset Records	
Special Investigation into use of the Irrevocable Orders (Officer’s Salary Deductions)	
Follow up Report on the Review of Management of the Functions Delegated under the Public Service Regulations (1961) For the period October 2016 to August 2017	
Quarterly Contract Awards (OCA) Reports	
Registry Operations (Mailroom)	- In Progress
Information Technology (IT) Risk Assessment - In Progress	
Unplanned Audits - via the Accounts Unit	

During the course of the year, the IAU completed training in IT audit and the use of Computer Assisted Audit Tools (CAATs). The Unit also participated in Compliance Audit Training conducted by the UK’s National Audit Office and has adopted the use of TeamMate® for maintaining documentary evidence during the course of their internal audits.

Looking Forward

The IAU is motivated to achieve greater efficiency and effectiveness in meeting its objective to provide comprehensive audit scrutiny of the operations of the Department. In that regard, the unit will be actively participating in training arranged by the Department and the Internal Audit Directorate of the MOFPS to further strengthen its capacity. Having undergone training in IT Auditing, the unit will be completing two (2) IT reviews in the current financial year.



Section 2:

PROVIDING ASSURANCE

The Year in Review

2.1.1 We delivered on key strategic objectives of the Department in 2017, through the implementation of 79% per cent of our audit plan at the time of writing this report- our audit plan period spans April 2017 to March 2018. During the year, the Department acquired a new financial audit software. Based on results thus far we are confident that CASEWARE will lead to improvements in the audit process. There has been major improvements in output for the year under review. A number of entities have facilitated the completion of audits and should be commended for their efforts. Nonetheless, we encountered numerous challenges and some MDAs either failed to submit annual financial statements to the Department for audit or failed to do so in a timely manner.

Relevant Strategic Objectives:

To issue independent audit opinions on financial statements in a timely manner that represents the reality of our audit clients

Our audits meet government and legal requirements and international auditing standards

Produce relevant and timely risk based compliance audit reports.

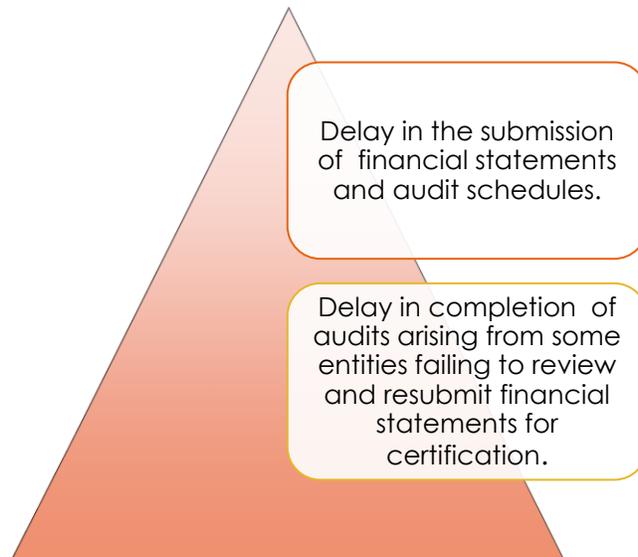
2.1.2 Consequently, the MDAs have not submitted 325 statements for audit spanning the financial years 2001/02 to 2016/2017. Of this amount, 162 represent Appropriation Accounts with approximately \$1.77 billion in Warrants I authenticated. (Appendix 3).

2.1.3 MDAs also failed to present the financial statements in accordance with the appropriate financial reporting framework, which resulted in significant audit adjustments. Further, audit schedules to support the amounts stated on the financial statements were inadequately prepared in a number of instances.

Our Achievements



Our Challenges



The Year Ahead



2.1.4 Our assurance services include audits of financial statements prepared on an accrual basis, receipts and payments statements for public bodies, as well as internationally-funded projects. The Unit is also responsible for the audit of the annual Appropriation Accounts of MDAs, which they are required by law to submit by July 31, four months after the end of the financial year. The audit of these statements are usually carried out in conjunction with compliance audits, to determine the extent to which MDAs follow rules, laws and regulations, policies and established codes or agreed-upon terms contained in contracts or funding agreements.

2.1.5 Financial statement audits are undertaken to express an opinion on whether reasonable assurance has been obtained that the financial statements presented by management are free from material misstatements, in all material respects, and that they are presented in accordance with the applicable financial reporting framework.

2.1.6 The Public Bodies Management and Accountability (PBMA) Act, requires that the annual report and audited financial statements of Public Bodies be tabled annually in the Houses of Parliament.

Assurance Audits

2.2.1 The Financial statements that we audit comprise Parish Councils, Statutory Bodies, Executive Agencies, Parish Libraries, the Parochial Revenue Fund, Internationally Funded Projects and Appropriation Accounts.

2.2.2 For the calendar year 2017, 79% or 358 of the 456 planned audits of financial statements and Appropriation Accounts were executed. Of the 358 executed audits, 141 audit certificates were issued. In addition, we have returned 148 of 217 statements in work-in-progress (WIP) to MDAs for the correction of errors and or resubmission for certification. Of the 217 statements that are work-in-progress, 32 relate to statutory bodies and executive agencies (see Appendix 2). We anticipate that 80% of the WIP will be certified within the first two quarters of 2018. Further details are outlined in the Charts below.

Chart 11



Chart 12

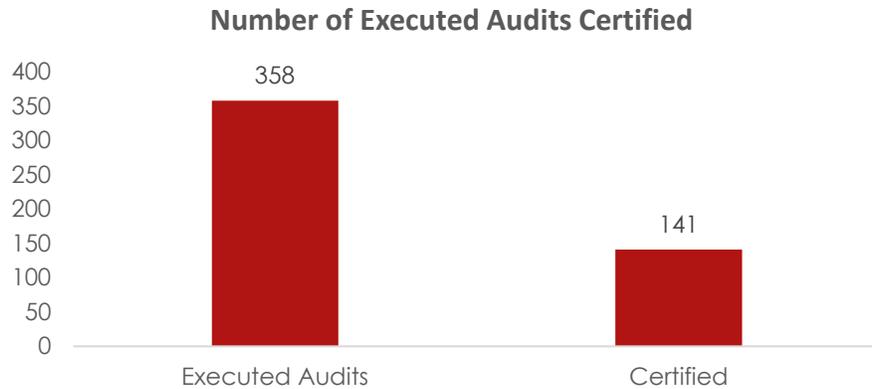
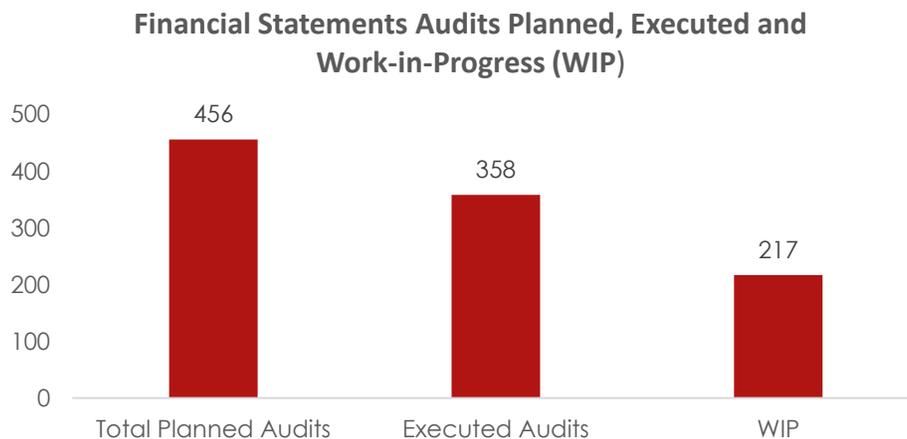


Chart 13



Quality

2.2.3 Assurance audits were conducted in accordance with auditing standards issued by INTOSAI. These standards require that I comply with ethical requirements, plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatements. In accordance with the Department's Quality Assurance Framework and International Standards on Quality Control (ISQC 1), internal reviews were conducted by the team leaders, Audit Principals, Deputy Auditors General and the Auditor General.

2.2.4 For the coming year independent surveys will be conducted by the Corporate Services Department to get feedback from the audited entities on our audit process and conduct of the audit teams.

Special Investigations

Special Audits

2.3.1 Section 122 of the Jamaica Constitution requires the Auditor General to conduct impartial audits of public bodies at least once in every year and submit reports of findings to Parliament. In keeping with Section 25 of the FAA Act, the Auditor General commissions Special Audits based on requests from members of the Public Accounts Committee, internal assessments and concerns raised by the public. Our Special Audits are conducted in accordance with standards issued by the International Organization of Supreme Audit Institutions (INTOSAI), for performance audit, GoJ legislations and guidelines as well as best practices.

Relevant Strategic Objectives:

Promoting transparency, accountability and best practices in Government operations.

- Maintaining relevance to citizens, Parliament and other stakeholders.

The Year in Review

2.3.2 During the year, we submitted six Special Investigation reports to Parliament. Three audits are currently undergoing quality control review and are expected to be tabled before March 2018. In addition, the unit commenced the development of procedural manual to guide the execution of special investigations. During the period, all four officers assigned to the Unit were exposed to training in performance, compliance and IT audits to better equip them to execute their function.

2.3.3 In executing our special investigation audit plan, we identified common themes of poor governance practices and weak resource management in the entities reviewed. These deficiencies contributed to public expenditure exposure and losses across the four Government entities. The results of our audits are published and as such, we expect that the recommendations made in our audit reports will be adopted to improve public financial management not only in the entities that were audited, but also throughout the wider public sector. We continued to benefit from the trust and support of the public and other stakeholders that provided valuable feedback.

Our Achievements

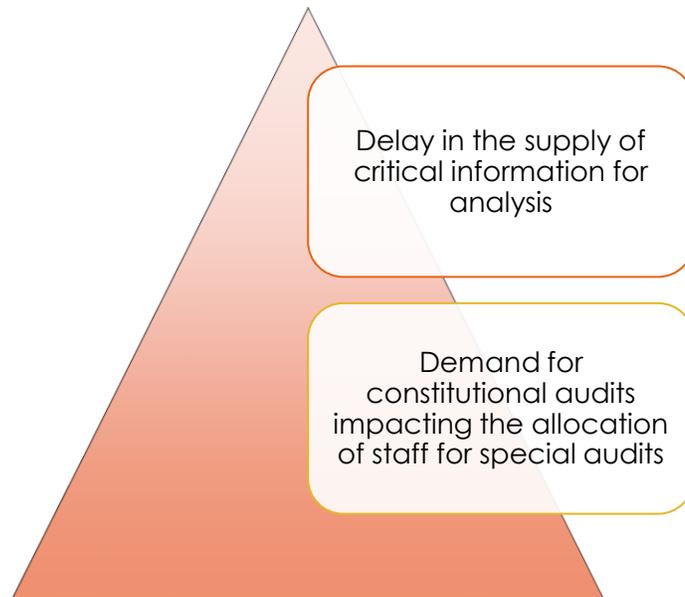
- Six special reports were tabled as a compendium in March 2017
- Three special audits are currently undergoing quality control review
- Four special reports will be tabled as a compendium by March 2018

2.3.4 Apart from the six completed special audits, three are currently undergoing quality control review and another is about to commence, as detailed in the table below.

Table 7 – Status of Special Audits Conducted

No.	Entity	Audit Topic	Status
1.	Urban Development Corporation	Sale of the Oceana Hotel Complex	<i>Tabled in March 2017</i>
2.	Ministry of Finance and Public Service	Leasing of a section of the Oceana Hotel complex for the Accountant General's Department	<i>Tabled in March 2017</i>
3.	Ministry of Finance and Public Service	Noranda Bauxite Limited, Expired Letter of Credit	<i>Tabled in March 2017</i>
4.	Ministry of Labour and Social Security	Payment of Travelling Allowances	<i>Tabled in March 2017</i>
5.	Aeronautical Telecommunications Limited	Control of Closed User Group service; benefits to senior management; and Procurement	<i>Tabled in March 2017</i>
6.	INSPORTS	Corporate Governance Practices	<i>Tabled in March 2017</i>
7.	Ministry of Economic Growth & Job Creation	Housing Fund	<i>Undergoing Quality Control Review</i>
8.	Office of the Public Defender	Relocation of the Office of Public Defender	<i>Undergoing Quality Control Review</i>
9.	Ministry of Labour and Social Security	Rehabilitation Programme	<i>Undergoing Quality Control Review</i>
10.	<i>[Special Audit 10]</i>	<i>To be approved...</i>	<i>To commence</i>

Our Challenges



Year Ahead

2.3.5 We expect that the investment in training will bear fruit in the years to come and as such, looking ahead we anticipate improvement in the efficiency of the audit process, which will result in more reports being tabled for the 2018/2019 period. We look forward to the feedback from our stakeholders for continued improvement in the quality of reports published while maintaining our relevance.



Information Technology Audits

The Year in Review

2.4.1 With the increased use of information and communication technology by government departments and public sector agencies in Jamaica, it has become necessary for the Auditor General's Department to implement the audit techniques required for reviewing IT systems and IT applications. Consequently, the Government of Jamaica through the Public Sector Modernisation Division in the Office of the Cabinet engaged an international consultant to strengthen the AuGD's capacity to perform Information Technology Audits. The main objective of the consultancy project was to enhance the AuGD's capabilities to conduct IT audits with a view to assuring the security and integrity of government IT systems and the effectiveness of investments made in IT. The IT audit capacity building initiative under the project had three main components:

- a) Delivering IT audit training to AuGD professional staff.
- b) Development of a comprehensive IT audit manual.
- c) Conducting six pilot IT audits.

Relevant Strategic Objectives:

- Promoting transparency, accountability and best practices in Government operations.
- Maintaining relevance to citizens, Parliament and other stakeholders.

2.4.2 The successful implementation of the project is expected to bring about the following outcomes:

- AuGD staff is able to conduct audits of complex IT systems that are in use in the public sector in accordance with international auditing standards;
- AuGD is able to provide audit opinions on the efficiency and effectiveness of GoJ IT systems and their associated security measures and controls;
- AuGD staff is able to perform compliance and financial audits in computerized environments;
- Use of IT based audit tools and their integration in the audit methodology will enable the AuGD to provide better oversight and tracking of public expenditure;

2.4.3 The IT audits conducted revealed a common theme of poor IT governance practices in all the entities reviewed.

Our Achievements

-  We completed 100 per cent of our planned pilot audits under the consultancy project. A compendium of these audits will be tabled in the quarter ending March 31, 2018.
-  Using the improved audit methodology we undertook three additional audits. The reports are being drafted for two, while the other is on track for completion as planned.
-  Working with the consultant, we developed and implemented a new comprehensive IT audit manual.
-  Approximately 90 members of staff received IT audit training in order to build our IT audit capacity and competence.

Pilot IT Audits

2.4.4 We conducted six pilot IT audits of selected GoJ organizations under the guidance of the Consultant. The purpose of the pilot audits was to provide an opportunity for the staff to apply their newly acquired IT audit skills and also to test the risk-based IT audit methodology and the standard IT audit work programs.

Table 8 – Pilot IT Audits

Entity	Area of Focus
Ministry of Finance & Public Service	IT Governance and IT Outsourcing
Jamaica Information Service (JIS)	IT Governance and IT Security Management
Police Department	IT Governance and IT Security Management over the Police Payroll System
Jamaica Urban Transit Company (JUTC)	IT Governance and IT Security Management over the JUTC Smarter Card System
Registrar General's Department (RGD)	IT Governance and Information Security
Tax Administration Jamaica (TAJ)	IT Governance and IT Business Continuity and Disaster Recovery

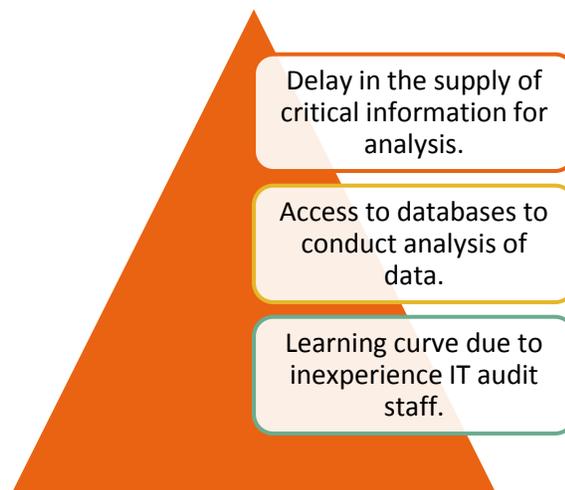
Additional IT Audits

2.4.5 At the end of the training, we conducted three additional audits between April and December 2017. The reports are being drafted for two, while the other is on track for completion as planned.

Table 9 – Additional IT Audits

Entity	Area of Focus	Status
Ministry of Science, Energy and Technology (MSET)	Disposal of ICT Equipment (MSET and two of its agencies - eGov and Post and Telecommunications Department)	Draft report is being prepared.
Jamaica Customs Agency	Business Continuity Management and IT Disaster Recovery	Draft report is being prepared.
Passport Immigration and Citizen Agency	Information Security Management and related controls.	Fieldwork in progress.

Our Challenges



The Year Ahead



Compliance Audits

The Year in Review

2.5.1 We conducted compliance audits during the calendar year 2017 to assess whether MDAs complied with various regulatory instruments. Criteria were drawn from sources including the FAA Act and its Regulations and Instructions, the PBMA Act, the Staff Orders for the Public Service, Government circulars and guidelines and entity-specific legislation and agreed-upon terms. Criteria were also drawn from operational and financial best practices.

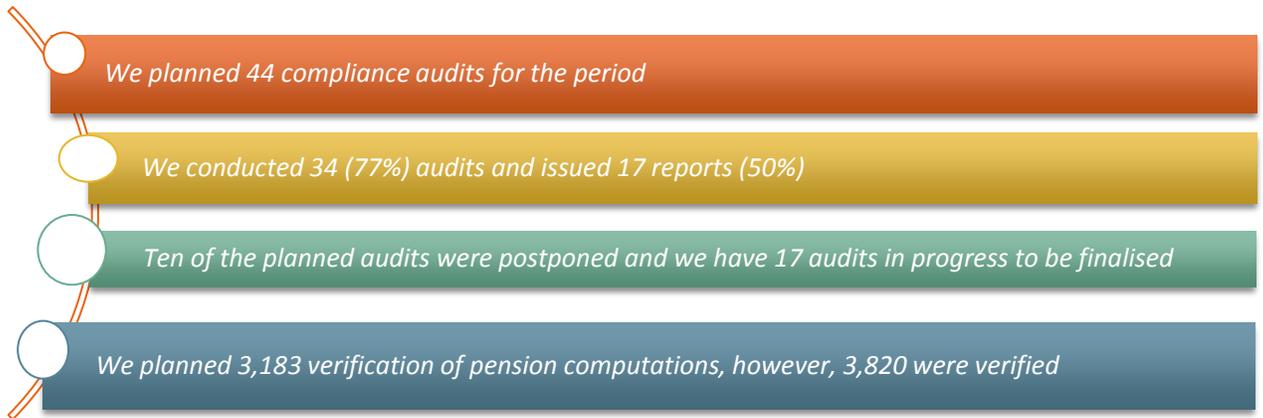
2.5.2 Common themes in our audits were weaknesses in procurement management and the financial management and accounting practices of MDAs. These resulted from a need to strengthen internal controls as well as internal and external monitoring mechanisms. Some audits also revealed deficiencies in records management, which were attributed to MDAs staffing challenges.

2.5.3 The findings of the compliance audits were reported to Heads of MDAs and are included on pages 74-126 of this report.

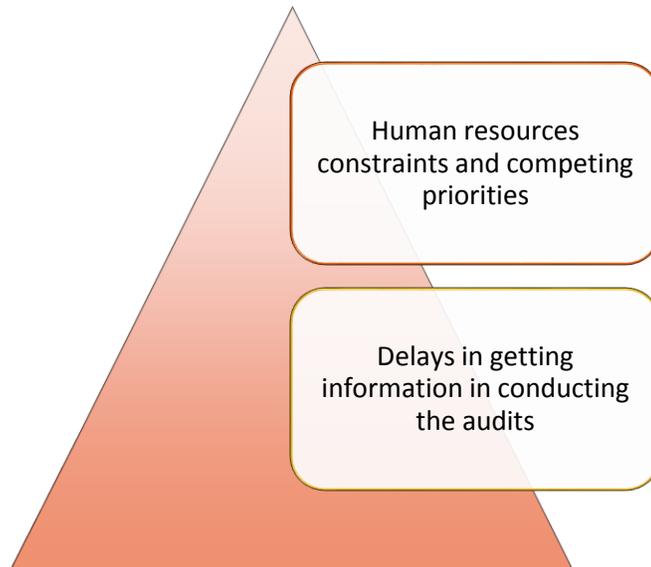
Relevant Strategic Objectives:

- Promoting transparency, accountability and best practices in Government operations.
- Maintaining relevance to citizens, Parliament and other stakeholders.

Our achievements



Our Challenges



The Year Ahead



Quality

2.5.4 Our audits were planned and conducted in accordance with INTOSAI Compliance Audit guideline (ISSAI 4000). All our compliance audits were conducted using a risk-based approach. A risk-based audit approach entails gaining an understanding of the entity and its environment, and having assessed the risk of non-compliance, directing audit resources to the riskier areas as appropriate. All compliance audits were subject to multiple levels of internal review.

Performance Audits

The Year in Review

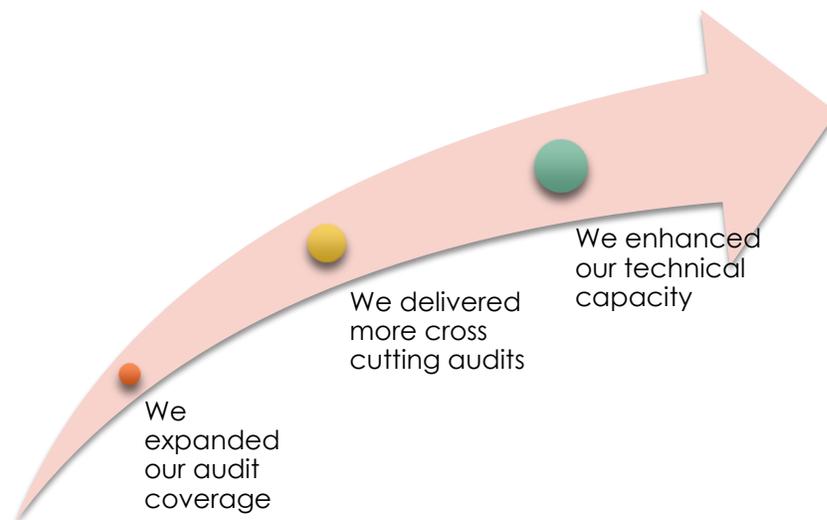
2.6.1 In 2017, we continued to deliver on the key strategic objectives of the Department, through implementation of the 2017/18 Performance Audit plan. We sought to improve the quality of our audits and reports through targeted training and enhanced quality assurance reviews of our audit process and reports. We submitted six performance audit reports for tabling between January and November 2017 and expect to submit three audit reports by the end of FY2017/18.

Relevant Strategic Objectives:

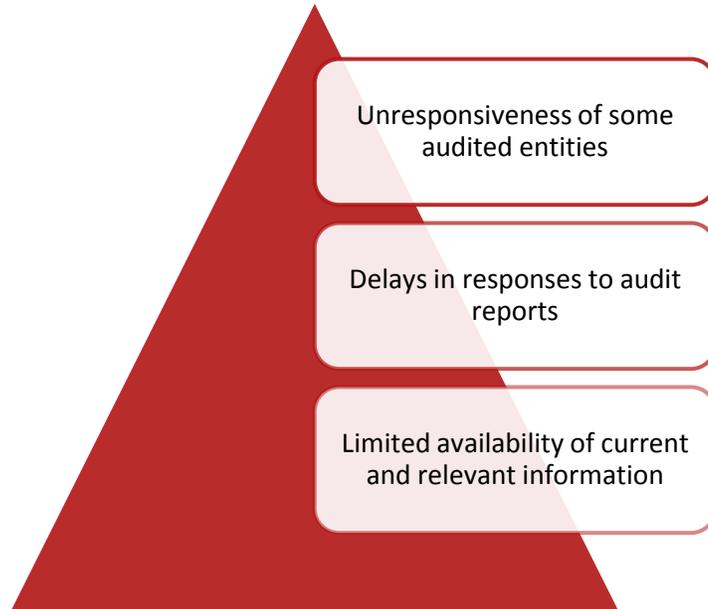
- Promoting transparency, accountability and best practices in Government operations.
- Maintaining relevance to citizens,

2.6.2 Through our performance audits, we aim to promote greater transparency and scrutiny of the operations of public bodies and to assist Parliament, through the Public Accounts Committee (PAC), to hold public bodies accountable.

Our achievement



Our Challenges



The Year Ahead



Performance Audit Reports

2.6.3 The performance audit program seeks to provide assurance to Parliament and the public on the efficiency, effectiveness and economy of the operations of Government Ministries, Departments and Agencies (MDAs). The aim is to improve governance practices and financial management of scarce resources, such that the country receives value for money spent. Performance of the entities is assessed in the context of the PBMA and FAA Acts, as well as Government circulars and guidelines, considering the entity's strategic and operational plans and alignment with Jamaica's Vision 2030 National Development Plan.



2.6.4 We continued to select our audit topics using the thematic approach and risk-based methodology in 2017-18 and conducted two cross-cutting audits. Our audit plan covered entities in the areas of health, water, transportation, financial and communication services. In accordance with our goal of continual improvement in the quality of our output we:

- Received training (classroom and hands on) to update our technical capacity. The training, which covered the entire audit process from pre-planning to fieldwork and the audit report, highlighted best practices and provided new templates in an updated audit manual.
- Adopted a formal approach to mid-point review proved to be an excellent intervention strategy, which enabled the audit teams to take stock of gaps identified during the fieldwork.
- Introduced a presentation format for the Finding Matrix which enabled an assessment of the sufficiency of the information collected during the fieldwork and provided another medium for recording the key issues identified to enable a timely high quality report. This enhancement was in response to the SAI PMF review, which acknowledged our assessment of the sufficiency of the data and evidence during the fieldwork, but pointed to gaps in the recording of such assessment.

Quantity

2.6.5 Our Performance audit plan included six audits for 2017-18. However, a second NAO pilot audit increased the total to seven. We tabled five audit reports up to December 2017, including two audit reports brought over from the previous year. We expect to table three

reports by March 2018. The remaining INTOSAI-IDI audit of Preparedness for Implementation of the SDGs should be completed in the second half of 2018.

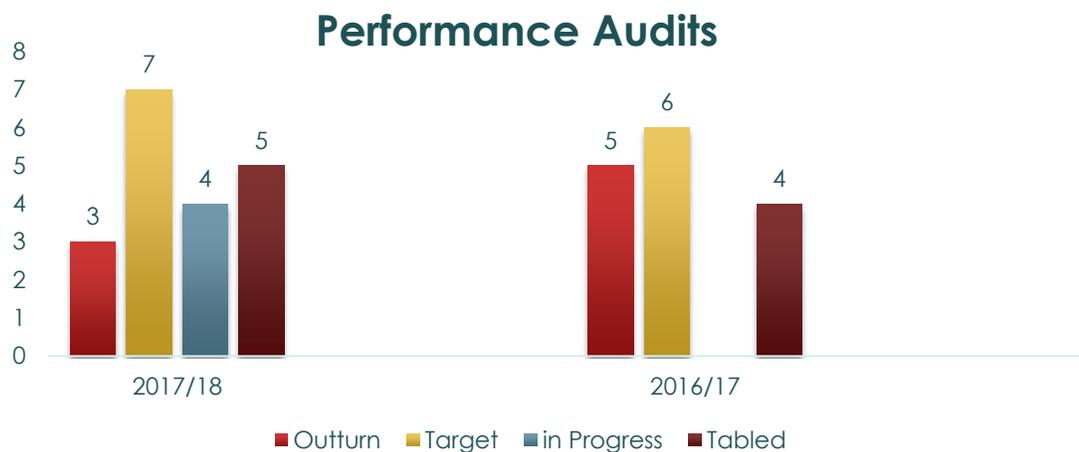
Table 10 - Audit Coverage

Audit Topic	Audit Plan	Status	Date Tabled	Deadline	Comments
Consultancies <i>Ministry of Finance</i> <i>Ministry of Education</i> <i>Office of the Prime Minister</i>	Carry forward	Completed	May 2017	Not Met	Cross-cutting audit
South East Regional Health Authority (SERHA) – (Procurement)	2017-18	Completed	May 2017	Met	
National Water Commission (Procurement and Contract management)	Carry forward	Completed	September 2017	Not Met	Tabling delayed by Parliament recess
Transport Authority-Regulation of Public passenger Vehicles (PPVs)	2017-18	Completed	October 2017	Met	Cross cutting NAO Pilot audit
GOJ's Progress towards Vision 2030 NDP Outcome No 10: Diversification of Energy Supply & Sustainable Development Goal (SDG) No 7: Affordable & Clean Energy	2017-18	Completed	December 2017	Met	Cross cutting NAO Pilot audit
Postal Corporation of Ja. (PCJ)	2017-18	In progress	-	-	
Urban Development Corp. (UDC)	2017-18	In Progress	-	-	Follow-Up audit
Student loans Bureau (SLB)	2017-18	In Progress	-	-	
Audit of Preparedness of Implementation of Sustainable Development Goal (SDGs)	2017-19	In Progress		2019	Cross cutting INTOSAI-IDI audit

Our Findings

2.6.6 Common themes from our findings included weaknesses in governance practices and ineffective use of information technology. Whereas most of the audited entities adhered to Government guidelines and circulars, inadequate planning, monitoring and delays in the execution of projects, undermined the efficiency and effectiveness of contracts. This led to time and cost overruns, which denied the entity the receipt of value from money (VFM), spent (See reports on Auditor General’s Department website).

Chart 14



South East Regional Health Authority (SERHA) – Procurement of Goods and Services

Our audit sought to determine whether the South East Regional Health Authority (SERHA) secured value for money from its procurement of Goods and Services.

2.6.7 We found that for the most part, SERHA adhered to the GOJ’s procurement guidelines in carrying out its procurement activities. However, SERHA did not always demonstrate the efforts made to ensure value for money spent. For example, SERHA used the direct contracting methodology to purchase 27 patient monitors for \$8.7 million and two x-ray machines for \$104 million. However, we saw no evidence that SERHA determined that value for money would be maximised from this methodology vis-a-vis use of the competitive tender methodology. SERHA also failed to employ competitive bidding for the renewal of contracts for four critical services, which also inhibited its ability to ensure value for money. SERHA procurement files were manual and unstructured, which affected its ability to collate and analyse data. SERHA had trouble in tracking excess inventory to enable hospital and health departments (HHDs) to borrow from each other, as each HHD maintained a separate inventory system. SERHA implemented a computerized inventory system only for equipment as a pilot

project at the Bustamante Hospital for Children. It is recommended that SERHA undertake a comprehensive regional needs assessment and define strategies for optimal allocation of resources, ensure that goods and services are acquired at the most economical prices to achieve value for money.

Engagement of Consultants, Advisors and Assistants at three public bodies

Our audit sought to determine whether the Ministry of Finance & Public service (MoFPS), Office of the Prime Minister (OPM) and Ministry of Education, Youth & Information (MoEYI) obtained value for money from their engagement of consultants, advisors and assistants, over the period April 2010 to August 2016.

2.6.8 We also examined whether the engagement of these officers complied with GOJ's Procurement Guidelines and applicable MoFPS circulars. While we found no material concerns for 80 per cent of procurement contracts reviewed, we noted for the remaining 20 per cent, significant weaknesses related to due process, planning and documentation. In many instances MoFPS breached its own policies and guidelines related to remuneration, gratuity payments, performance evaluations, TOR and job descriptions.

This demonstrated poor governance practices and undermined MoFPS ability to hold the MDAs accountable, and receive value for money. Ministries must be encouraged to adhere to the GoJ's policies and guidelines for the engagement of consultants, advisors and assistants and at the same time, the MoFPS should standardize the system for evaluating performance.

National Water Commission (NWC) – Contracts and Procurement Management - Capital Projects

Our audit sought to determine whether NWC is managing its procurement activities and implementing capital projects effectively, efficiently and economically in order to meet the needs of its stakeholders and achieve value for money.

2.6.9 We found that although NWC generally adhered to the GOJ's Procurement Guidelines, there were weaknesses in governance practices. Deficiencies in scoping, execution and monitoring, led to time overrun and increased costs of J\$667 million and US\$63 million, underscoring that adherence to the guidelines by itself is not sufficient. We noted instances where contracts secured directly using the Emergency Contracting Methodology, did not commence until over

a year after the contract engagement. This was contrary to expectations for emergency contracts and could have suggested an intent to circumvent GOJ's Procurement Guidelines. In one instance, for example, NWC failed to take advantage of the competitive tender process to obtain the best price for two phases of a \$560 million contract, despite NEPA's advanced approval, which would have enabled adequate time for advanced planning. NWC should strengthen its scoping of contracts to identify critical elements for successful implementation, as well as monitor the execution to minimize losses from incomplete projects.

Transport Authority (TA) – Regulation of Public Passenger Vehicles (PPVs)

Our audit of the Transport Authority Regulation of Public Passenger Vehicles sought to determine the TA's effectiveness in reducing illegal activities in the transportation sector.

2.6.10 We found that despite increasing the number of inspectors and the increased issuance of summonses, the TA failed to deter the habitual breaches by licensed PPV and illegal operators. Only seven per cent of total summonses issued were to illegal operators, despite the fact that TA's data suggested illegal taxis significantly outnumbered licensed taxis in Kingston and St Andrew. At the same

time, we noted a trend decline in the number of new licences issued and trend increase in the number of licences surrendered between 2012-13 and 2016-17. Although TA provided channels for stakeholders to register their complaints and concerns, TA did not document the procedures to ensure a consistent approach in its response. TA purchased major assets without adequate due-diligence, which contributed to losses of \$141M in 2016-17. The absence of a long-term strategy for its operations, also contributed to TA's worsened financial position. At the same time, TA needs to devise sustainable strategies to discourage illegal activities among transport operators.

Government of Jamaica's Progress towards Vision 2030 NDP Outcome No 10: Diversification of Energy Supply and Sustainable Development Goal (SDG) No 7: Affordable & Clean Energy

Our audit sought to determine whether the Government is on track to diversify the energy supply in order to reduce dependence on imported petroleum. This was against the background of concerns from stakeholders including the cost of energy, the quality of fuel and Jamaica's energy security.

2.6.11 Jamaica's energy management framework and Jamaica's National Energy Policy seeks to support the implementation of Vision 2030 Jamaica National Development Plan (NDP) and in particular, National Outcome # 10 – Energy Security and Efficiency. The vision for Jamaica's energy sector is "a modern, efficient, diversified and environmentally sustainable energy sector providing affordable and accessible energy supplies with long-term energy security and supported by informed public behaviour on energy issues and an appropriate policy, regulatory and

institutional framework".

2.6.12 The audit noted the important progress made in Jamaica's energy diversification programme, in terms of research, policy design and project implementation, particularly in energy areas such as wind, solar and natural gas, despite the relevant sub-policies to support the regulatory framework, remaining in draft since 2010. However, there were weaknesses in cross-government linkages between MSET and other stakeholders in implementing strategies for energy diversification. In addition, there was lack of clarity regarding the entity responsible

for measuring and reporting performance which contributed to the use of different measurement frameworks for energy consumption from renewable energy (RE) sources. Further, whereas we expected the Petroleum Corporation of Jamaica (PCJ) to implement accountability mechanisms for its subsidiary Petrojam Ethanol Limited (PEL) given that it delegated responsibility for ethanol to that entity, there were no agreed measurable objectives and performance targets to assess PEL's performance.

Quality

2.6.13 We planned and conducted our audits in accordance with government auditing standards applicable to performance audits and issued by the International Organization of Supreme Audit Institutions (INTOSAI). The Quality Assurance Unit (QAU) reviewed one of five audit reports tabled in 2017 to ensure conformance with the Performance Audit Standards (ISSAI 3000 – 3100) as well as, the AuGD's strategic and operational plans and objectives. The QAU conducted the reviews in accordance with the Department's Quality Assurance Framework and International Standards on Quality Control (ISQC 1).

2.6.14 We also continued to rely on feedback from Parliament and the public, including the media and civil society, to assess the impact of our audits. This informed the Department's decision to provide on our website, video and power point presentations of audits in progress and key findings from tabled reports. The aim is to improve our communication with stakeholders and enhance the discourse on public sector issues critical to the achievement of our vision and mission.

Timeliness

2.6.15 We completed approximately 60 per cent of our performance audits scheduled for 2017 within the specified time. In some instances, the inability of entities to accommodate our team for field work at the requested time, delays in their completion of FY2016/17 financial statements or in responding to our reports, adversely affected our ability to meet deadlines. We extended the deadline for completion of two audits to May 2017 in order to facilitate staff participation in various training and the SAI PMF. The four audits in progress are on schedule for completion by March 2018 and 2019.

Looking Forward

2.6.16 We plan to conduct six performance audits in 2018/19. These will include one follow up audit and a cross cutting audit, with the latter informed by AuGD's strategic objective to review public bodies' performance in the context of Jamaica's commitment to the United Nation's SDGs and Vision 2030 NPD. The SAI PMF report had noted that although our follow-up audit reports described the corrective actions adopted by the auditee, there was no

assessment of the impact of those measures. In 2018-19, we will seek to ensure that as far as possible, we provide an impact assessment in our follow up reports. At the same time, we will continue to use the thematic approach and risk-based methodology in selecting our audits as we seek to contribute to the achievement of efficient and effective public financial management.

Economic Assessment Unit (EAU)

The Year in Review

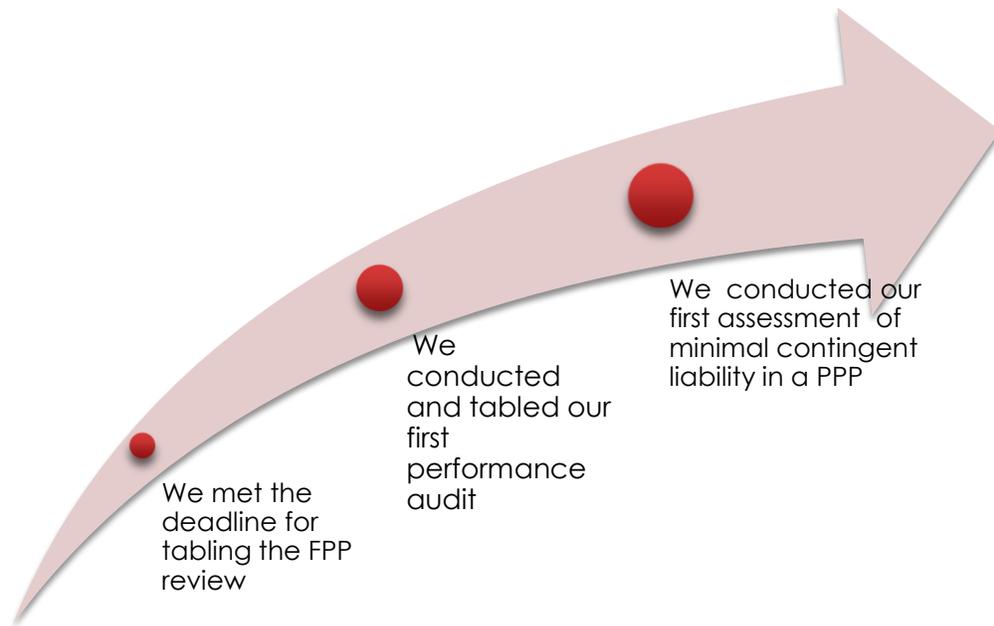
2.7.1 In 2017, the Economic Assessment Unit conducted reviews of the Fiscal Policy Papers (FPP) FY2017/18 as well as an assessment of contingent liability in respect of the Kingston Container Terminal (KCT) Public-Private Partnership (PPP) in keeping with the requirements of the FAA Act. We submitted both reports to Parliament on February 20, 2017 while the review of the FPP FY2017/18 Interim Report was submitted on October 31, 2017.

Relevant Strategic Objective

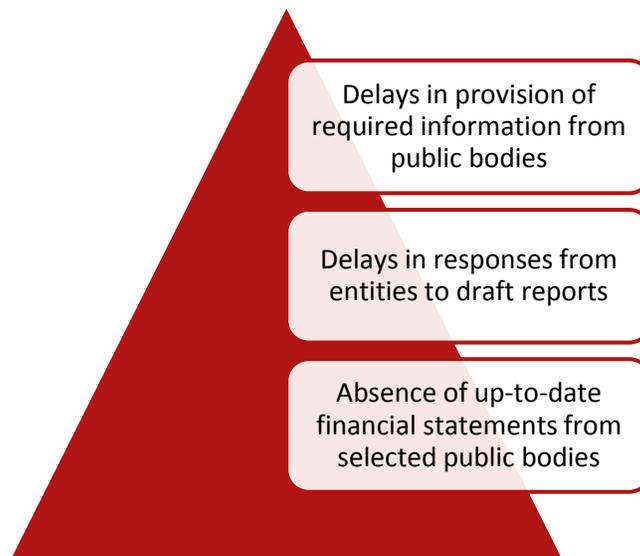
- Demonstrating ongoing relevance to citizens, Parliament and other stakeholders.

2.7.2 The EAU also analysed the financial statements of one public body and tabled the report on November 21, 2017. Throughout the year, the Unit prepared internal economic reports and bulletins to support our review of the FPP as well as, inform the general staff on fiscal policy related issues.

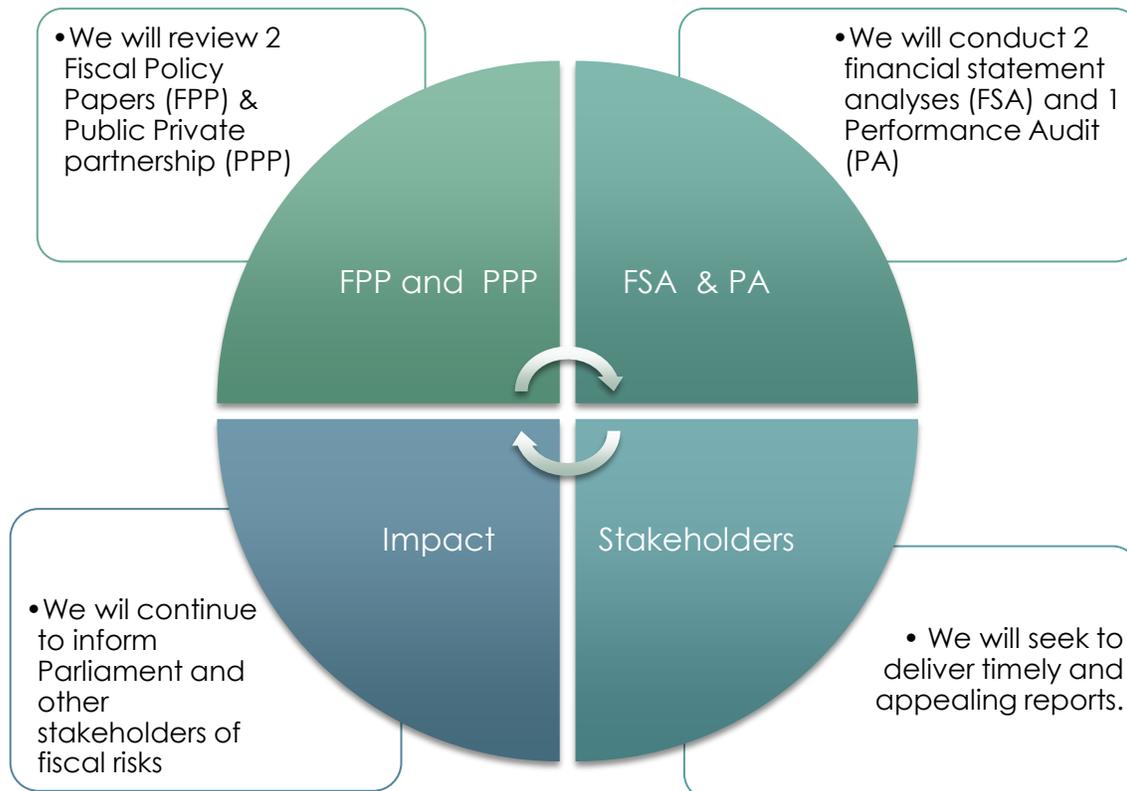
Our Achievements



Our Challenges



The Year Ahead



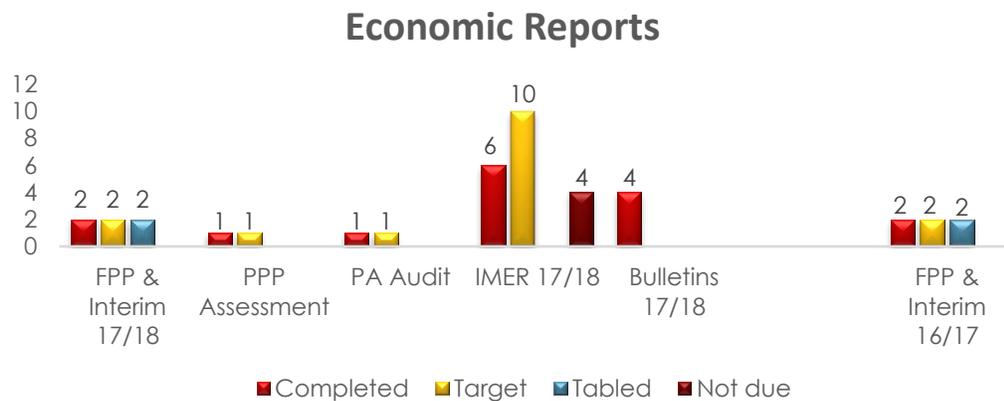
Economic Assessments

2.7.3 The Economic Assessment Unit (EAU) assists the Auditor General in fulfilling her responsibilities set out in the Financial Administration and Audit (FAA) Act and the Constitution. Accordingly, reviews of the fiscal policy papers, public-private partnership arrangements and activities of selected public bodies, are critical to the Auditor General’s responsibilities under Section 48B (6) of the FAA Act. The EAU also undertakes trend analyses of financial statements of selected public entities, which are required to demonstrate prudent financial management of public resources in the context of the Fiscal Responsibility Framework. The EAU also conducted its first performance audit based on earlier findings from an assessment of the financial statements of the National Health Fund.

Table 12

Reports Submitted to Parliament	Date Tabled	Deadline	Comments
Fiscal Policy Paper Fy2017-18	February 2017	Met	Within the period specified by the FAA Act
Assessment of KCT Public Private Partnership	February 2017	Met	
Performance Audit -National Health Fund (Inventory Management)	September 2017	Extended	Tabling delayed by Parliament recess
FPP Mid-year (Interim Report)	October 2017	Met	Tabled with two weeks after receipt from MoFPS
Analytical Review of Clarendon Alumina Partners (CAP)	December 2017	Met	

Chart 15



Fiscal Policy Paper (FPP)

The review of the FPP FY2017/18 which was tabled on February 9, 2017, sought to determine whether the conventions and assumptions underlying its preparation complied with the principles of prudent fiscal management; whether the reasons given for the deviation of the fiscal outturn from target were reasonable based on the circumstances.

2.7.4 We found that the contents of the FPP complied with the requirements of the Third Schedule of the FAA Act and included the minimum content under Fiscal Responsibility Statement, Macroeconomic Framework and Fiscal Management Strategy. However, in some instances, we could not confirm compliance with the principles of prudent fiscal management as required in Section 48D due to the unavailability of information. For example, the FPP reported that the debt trajectory was largely predicated on strong Gross Domestic Product (GDP) growth over the medium-term, underpinned by significant growth in Mining & Quarrying and the volatile Agriculture, Forestry & Fishing sector. However, the MoFPS

did not provide a risk analysis of the GDP growth as previously recommended by the AG, which could provide some assurance that the conventions and assumptions underlying the preparation of the Fiscal Policy Paper complied with the principles of prudent fiscal management specified in Section 48D.

2.7.5 Note was also made of a change in the taxation regime for the bauxite sector whereby the companies move toward the payment of profit tax or profit sharing and away from the payment of a levy. However, arising from our inquiry of the nature of the change, the MoFPS informed that there was no change in the taxation regime, which did not conflate with the narrative in the FPP FY2017/18. The Interim report also ascribed the continued reduction in debt servicing costs for FY2016/17 and for the April to July 2017 period, mainly due to the execution of liability management operations, delays in debt management operations and a stronger than expected Jamaica Dollar. However, the Report did not provide a value for the savings in interest payments arising from liability management operations to enable an assessment of reasonableness.

FPP FY 2017/18 Interim Report

The Mid-year (Interim) FPP Report tabled on September 26, 2017, was reviewed in accordance with the Auditor General's responsibilities under Section 122 of the Constitution of Jamaica and the requirements of FAA Act.

2.7.6 We found that the contents of the Mid-Year (Interim) FPP Report complied with the requirements of the Third Schedule of the FAA Act and comprised the Fiscal Responsibility Statement, Macroeconomic Framework and Fiscal Management Strategy. There was however, the need to clarify some content. For example, the report indicated that a reduction in the FY2017/18 budget for Bauxite Levy reflected Government's decision to enter into a profit-sharing arrangement, as part of a temporary change in the bauxite levy regime. We found this to be contrary to the Ministry's previous

response in February that the regime had remained unchanged. Based on our request for further clarification, the MoFP responded that the term "temporary change in the bauxite levy regime" means that the Minister can re-impose the provisions of the Bauxite Levy Act, subject to terms and conditions of MOUs with the particular bauxite entity. The Interim report also indicated that the final wage settlement could exceed the contingency provision in the budget.

2.7.7 Section 48B (6) (b) of the FAA Act requires the Auditor General to confirm that the reasons given for deviations are reasonable. However, we were unable to verify the wide variation of the actual outturn for Non-Tax revenue from the estimate indicated in the February FPP, as the Ministry did not provide an explanation. The FPP FY2017/18 indicated that for FY2016/17, stated Non-Tax revenue was estimated to exceed budget by 13.4 per cent, however the Interim FPP reported actual Non-Tax Revenue as being below budget by 7.2 per cent. The Interim FPP FY2017/18 report indicated that the final wage settlement for public sector workers could exceed the contingency provision in the budget. In a context where Section 48D of the FAA Act requires fiscal risks to be managed prudently with particular reference to their quality and level, we also considered this a risk to the expenditure budget and the attainment of legislated target of 9 per cent of GDP by FY2018/19.

Public - Private Partnerships Contingent Liabilities (PPPs)

KINGSTON CONTAINER TERMINAL (KCT) PPP

Kingston Container Terminal Public Private Partnership was reviewed in accordance with the FAA Act, which requires the Auditor General to determine whether a PPP arrangement (User Pays) involves only minimal contingent liabilities accruing to the Government. This assessment is undertaken for 'user pays' PPP as these projects would not be included in the public debt.

2.7.8 The FPP FY2017/18 identified the Kingston Container Terminal (KCT) public private partnership, as having achieved 'financial close' during the first quarter of FY2016/17. We used *the IMF/World Bank PPP Fiscal Risk Assessment Model (PFRAM)* to assess the potential fiscal costs and risks arising from the PPP projects to determine the existence of contingent liability. Based on our review, we found nothing to suggest that the contingent liability of the KCT PPP arrangement would be more than minimal and hence, we did not foresee significant fiscal risk exposure of the Government of Jamaica over the medium-term.

SCHOOLS SOLAR ENERGY PPP

2.7.9 The FPP FY2017/18 Interim Report indicated the finalization and approval of the business case and procurement plan for the Schools Solar Energy PPP, by the Enterprise Team in August 2017. Our preliminary review, revealed that the Schools Solar Energy project is a 'government pays' PPPs. Unlike 'user pays' PPPs, 'government pays' PPPs require Government support and spending, which are covered in the public budget as well as, public debt ceiling. Given that the Schools Solar Energy project would be included in the overall public budget and debt stock, no assessment for contingent liability risk was required.

Financial Statements Assessment

The analytical assessment of the financial statements of the Clarendon Alumina Production Limited (CAP) was undertaken in the context of the Fiscal Responsibility Framework and the Public Bodies Management and Accountability (PMBA) Act which requires public entities to demonstrate prudent financial management of public resources.

2.7.10 Our review of the financial statements of CAP, found that the debt ratio reflected a trend decline between FY2016/17 and FY2012/13, with a sharp fall between FY2012/13 and FY2013/14 based on Government of Jamaica (GOJ) acquisition of 84.1 per cent of CAP's outstanding loan obligations in 2013. The debt acquisition, which was a precursor to a Joint Venture Agreement with the Noble Group, was also expected to boost the likelihood of CAP's divestment and remove the need for further GOJ support. However significant deterioration in CAP's cash position necessitated US\$27 million in loans from GOJ in FY2016/17 to settle outstanding arrears to the Joint Venture partner. The additional borrowing was contrary to GOJ's stance regarding continued support to the entity.

2.7.11 Consequently, CAP's solvency position remained weak over the review period, despite marginal improvement to 2 per cent at end FY2016/17, which was still, well below the financial standard of 20 per cent. Further, CAP consistently recorded a negative working capital turnover, which was also linked to its inability to generate profits or a positive return on its investment. Accordingly, CAP will require from JAMALCO, greater operational efficiency in order to improve its financial position on a sustainable basis.

Performance Audit

NATIONAL HEALTH FUND (NHF) - MANAGEMENT OF THE SUPPLY AND DISTRIBUTION OF PHARMACEUTICALS AND MEDICAL SUNDRIES

Our audit of the National Health Fund Pharmaceuticals Division sought to determine whether the National Health Fund managed its supplies and distribution of pharmaceuticals and sundries efficiently between FY2011/12 and FY2016/17, to support the delivery of quality public health care and fulfil the objectives of the Fund.

2.7.12 We found that although NHF was efficient in its management of spoilage, there were deficiencies in inventory management related to the adequacy of stocks, monitoring and coordination of stock levels. NHF only filled an average 65.2 per cent of total quantities of supplies ordered from health facilities and identified 582 incidents of pharmaceuticals and sundries being out of stock for FY2015/16 due to factors such as (a) credit holds by suppliers; (b) timing of customs clearance; (c) global shortages and (d) inaccurate inventory levels. Some suppliers withheld orders from NHF, which did not make timely payment for purchases 95.8 per cent of the time. Trade receivables, which totalled \$4.5 billion at end March 2017, of which 94.0 per cent was due from Ministry of Health (MOH), impeded NHF's ability to pay suppliers. NHF wrote off \$2.0 billion of trade receivables due from MOH in FY2016/17. Based on our findings, NHF must apply greater control over its inventory management processes that will assure public health facilities and patients of an adequate and consistent supply of pharmaceuticals and sundries.

Internal Monthly Economic Reports and Bulletins

Our internal economic reports assist in our fiscal policy paper review by enabling an exploration of related and extended issues, prior to receipt of the FPP reports tabled in Parliament by the Ministry of finance.

2.7.13 We prepared 6 of 10 monthly economic reports with the remaining four scheduled for November 2017 to end-March 2018. Our monthly reports focused on central government operations and debt dynamics comparing monthly outturn to budget. Our analyses were supported by information garnered from the MOFPS , as well as from other primary data sources. We also prepared 4 economic bulletins, which covered such areas as *tax transparency, interest rate determination, public trust and public policy* as well as

'China-One Belt One Road' policy. These reports contributed to our understanding of the fiscal policy environment and other economic trends.

Quality

2.7.14 Our reviews of the fiscal policy papers were conducted in accordance with the standards issued by The International Association of Supreme Audit Institutions and the International Standard on Assurance Engagement (ISAE) 3000. Our draft and final reports were also reviewed by the Department's Quality Assurance Unit to ensure adherence to the required standards.

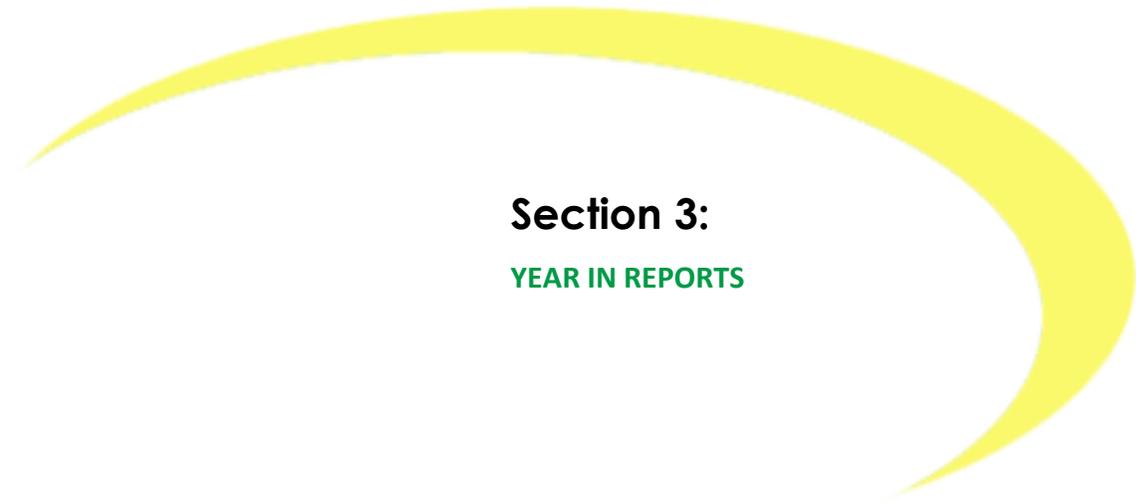
Timeliness

2.7.15 We submitted our review of the FPP FY2017/18 to Parliament on February 21, 2017, within the specified deadline of two weeks after the tabling of Paper on February 9, 2017. The Ministry tabled the Interim FPP FY2017/18 on September 26, 2017, but only provided a copy of the report to the AG on October 6, 2017, one week later. The AG's review of the Interim FPP was tabled in Parliament on October 31, 2017, following receipt of the Ministry's response.

Looking Forward

2.7.16 We plan to submit to Parliament our review of two Fiscal Policy Papers (including the interim mid-year review), as well as conduct two financial statement assessments of self-financing public bodies, using a risk-based approach. We will also conduct one performance audit using the key issues identified by one of our financial statement to inform the scope and review 'User Pays' PPP's that have achieved financial close.

2.7.17 We will continue to conduct monthly in-depth reviews of central government performance to inform our review of the fiscal policy paper.



Section 3:

YEAR IN REPORTS

3.1.1 In 2016, the Auditor General requested that a robust assessment of audit reports issued from April 2011 to November 2016 be carried out to determine the commonality and interrelatedness of the issues being documented in these reports. The review identified five key themes under which the Department has classified systemic weaknesses throughout the public sector, which informed the preparation of a Thematic Framework (TF).

3.1.2 The TF was intended to not only guide the Department in determining the subject matter of audits, but also to guide Parliament, MDAs and other stakeholders alike, on the systemic weaknesses identified within the public sector. With this knowledge, our stakeholders would be able to determine their next steps in addressing the weaknesses identified. In the case of Parliament, it would see where legislative changes were necessary and in the case of the MDAs, they would be better able to assess their internal control and risk management processes.

3.1.3 This TF was made available to all stakeholders via our website while in some instances, printed copies and soft copies were provided.

3.1.4 The audit reports detailed in this section have therefore been categorized based on these five thematic areas; and details the issues found in audited entities under each thematic area.



Chart 16 - Summary of Findings by: Sector

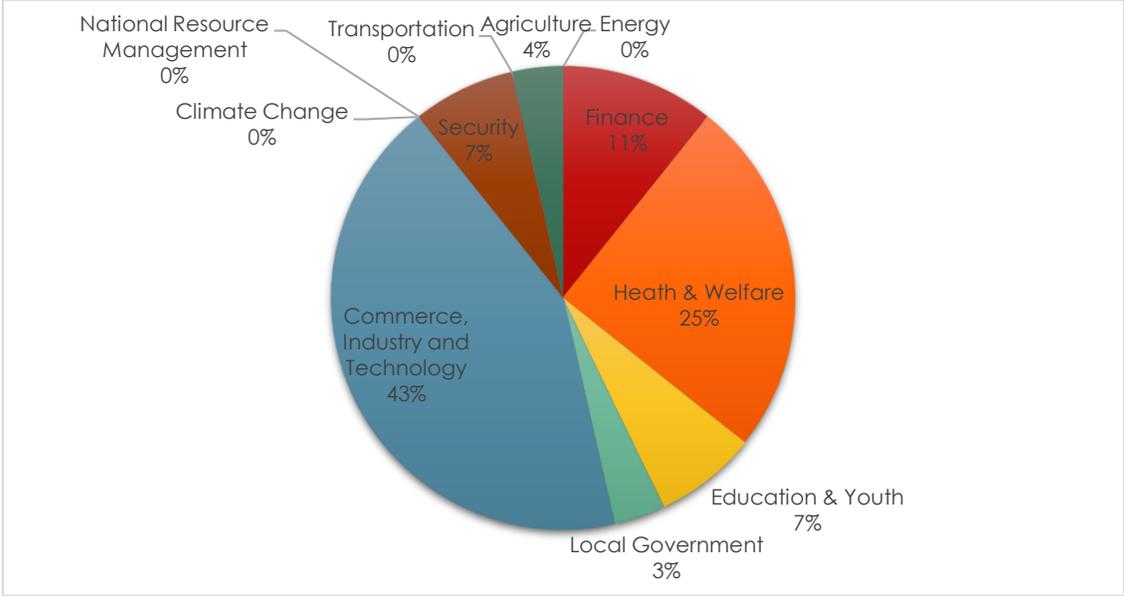


Chart 17 - Financial Exposure

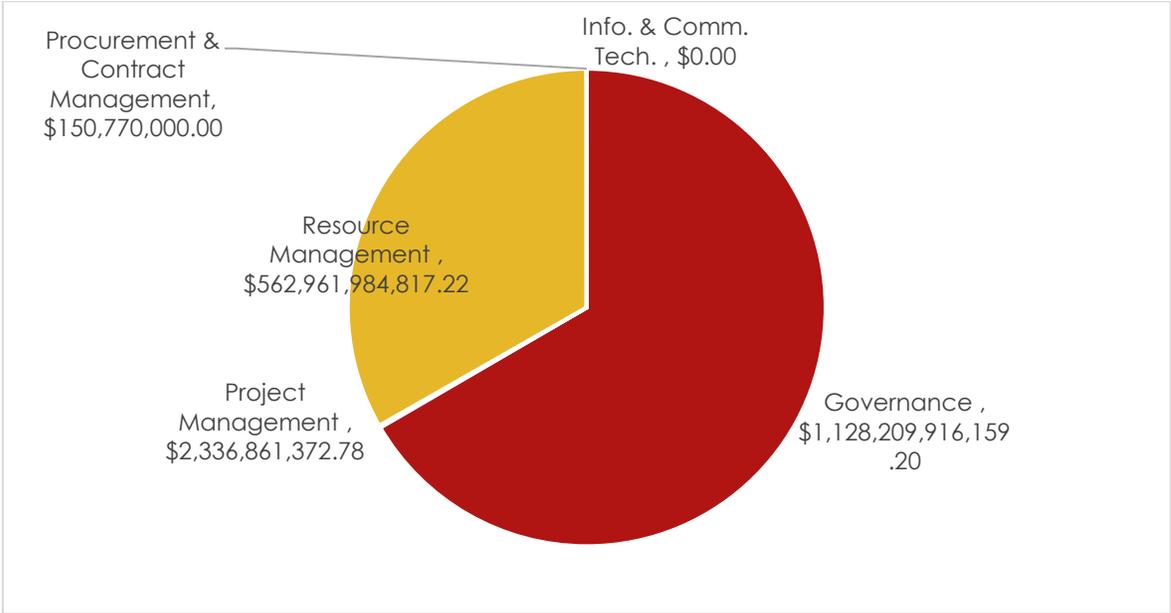


Table 13 - Thematic Framework – Deficiencies Highlighted in MDAs

MDA	Governance	Project Management	Resource Management	Procurement and Contract Management	Information and Communication Technology
1. Head 02000 Houses of Parliament	✓		✓		
2. Head 03000 Office of the Public Defender	✓			✓	
3. Head 04000 Office of the Contractor General	✓				
4. Head 07000 Office of the Children's Advocate	✓		✓		
5. Head 15000 Office of the Prime Minister			✓	✓	
6. Head 15202 Registrar General Department	✓		✓		
7. Head 16000 Office of the Cabinet	✓		✓		
8. Head 17000 Ministry of Tourism	✓		✓		
9. Head 19000 Ministry of Economic Growth and Job Creation: Head 19050 National Works Agency			✓		
10. Head 19000 Ministry of Economic Growth and Job Creation: Road Maintenance Fund	✓		✓		
11. Head 19000 Ministry of Economic Growth and Job Creation Land Administration and Management Programme (LAMP)			✓		
12. Head 19000B Ministry of Economic Growth and Job Creation – Planning Institute of Jamaica: Jamaica Foundations for Competitiveness and Growth Project - 9462					✓
13. Head 20000 Ministry of Finance and the Public Service, Strategic Public Sector Transformation Project – Loan Contract No. 8406JM/DFID Grant TFOA 1633JM			✓		
14. Head 20000 Ministry of Finance and the Public Service	✓		✓		
15. Head 20011 Accountant General	✓		✓	✓	

MDA	Governance	Project Management	Resource Management	Procurement and Contract Management	Information and Communication Technology
16. Head 20012 Jamaica Customs Agency, Activity Based Audit, Management of Detained Goods and Seized Imported Goods				✓	
17. Head 20012 Jamaica Customs Agency			✓	✓	
18. Head 20056 Tax Administration Jamaica (TAJ)			✓	✓	
19. Head 26022 Police Department			✓		
20. Head 28030 Administrator General			✓		
21. Head 28058 Court Management Services	✓		✓		
22. Head 30000 Ministry of Foreign Affairs and Foreign Trade, Jamaica Consulate General Toronto	✓		✓	✓	
23. Head 40000B Ministry of Labour and Social Security	✓		✓		✓
24. Head 41000 Ministry of Education, Youth and Information Early Childhood Development Project – GoJ/IBRD Loan Agreement No.8334-JM			✓		✓
25. Head 41000 Ministry of Education 2013/2014					
26. Head 42000 Ministry of Health National Council on Drug Abuse			✓		
27. Head 42000 Ministry of Health, Pharmacy Council of Jamaica			✓		
28. Head 42034 Bellevue Hospital	✓		✓		✓
29. Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries 2017/2017					
30. Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries: Antidumping and Subsidies Commission (ADSC)			✓		
31. Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries: Jamaica 4-H Clubs	✓		✓		

MDA	Governance	Project Management	Resource Management	Procurement and Contract Management	Information and Communication Technology
32. Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries: Fisheries Management and Development Fund	✓		✓		✓
33. Head 56000 Ministry of Science, Energy and Technology (MSET)	✓		✓		
34. Head 72000 Ministry of Local Government, Social Development Commission (SDC)	✓		✓		
35. Head 72000 Ministry of Local Government and Community Development	✓		✓		
36. Head 72000 Ministry of Local Government and Community Development: Parish Council	✓				

Head 02000 Houses of Parliament

ISSUE/CONCERNS
Governance
<p>Internal Control Weaknesses over Payment Journal Vouchers</p> <p>3.2.1 There was need for improvement in the controls over journal vouchers. The designated certifying officer did not sign ten journal vouchers totalling \$42,145,871.65 to attest to the correctness of the information on the vouchers.</p> <p>3.2.2 In addition, the Department did not present source documentation to support expenditure for ten payments vouchers totalling \$2,278,551 and thirty-two journal vouchers totalling \$147,364,253.65.</p> <p>3.2.3 Further, two payments totalling \$2,035,622 were supported by quotations instead of original suppliers' invoices and five payments amounting to \$2,338,442 were made without the requisite certification for goods and services received. Additionally, payment vouchers and supporting documentation were not always stamped "paid" to prevent reuse. These weaknesses contravene Financial Regulation 48, and may facilitate duplication of payments, acceptance of mediocre goods or services and errors and misappropriations.</p>
Resource Management
<p>Inadequate Stores Management and Control</p> <p>3.2.4 The responsible officers did not maintain stores register/ledger cards to track the receipt and issue for stationery, cleaning and electrical supplies. In addition, the designated officers appointed to approve the requests, issue and receive supplies did not sign some requisition forms. Further, there was no evidence that a system of regular independent check of the stock and stores records was in place to confirm the accuracy and completeness of the records, and the existence of the asset. These deficiencies breached Section 126 of the Financial Management Regulation (2011) and could facilitate misappropriations.</p> <p>Inadequate Control over Fixed Assets</p> <p>3.2.5 The Master Inventory Record was not updated with seventeen out of thirty-two assets costing \$1,925,153.16, at the time of the physical inspection. Additionally, the responsible officer was unable to locate five (5) of these assets. We also noted that an Office Machines and Equipment Record was not maintained, although service costs totalling \$577,459.60 were incurred during the year.</p> <p>3.2.6 These weaknesses contravened the Ministry of Finance's Procedures Manual – Control of Government Furniture, Office Machines and Equipment. In addition, If the inventory records are not updated, management may be unable to properly account for and safeguard the assets.</p>

ISSUE/CONCERNS
<p>Inadequate Maintenance of Motor Vehicle Inventory Records</p> <p>3.2.7 The HOP did not consistently apply the controls over motor vehicles prescribed by the Ministry of Finance Procedures Manual – Control of Government Motor Vehicles. The HOP did not maintain Inventory Records for five fleet vehicles, and failed to present three motor vehicle logs for audit scrutiny.</p> <p>3.2.8 In addition, a senior officer did not approve trips and review logbooks to ensure accuracy and completeness of the record. These deficiencies might facilitate unauthorized use and hinder the Department from accounting for and safeguarding the assets.</p> <p>Operational Efficiency Record</p> <p>3.2.9 We noted motor vehicle repairs and maintenance costs of \$876,182. However, the Department did not present evidence that it conducted periodic evaluation of the operational efficiency of motor vehicles.</p> <p>General</p> <p>3.2.10 The Clerk of the House indicated that steps are underway to employ internal auditors to assist management to improve the control environment and better manage the associated risks.</p>

Head 03000 Office of the Public Defender (OPD)

ISSUE/CONCERNS
<p>Governance</p> <p>Errors Relating to Appropriation Accounts</p> <p>3.2.11 We examined five (5) Appropriation Accounts for financial years 2011/2012 to 2015/2016. However, the accounts for 2013/2014, 2014/2015, and 2015/2016 were returned because expenditure was misstated. This occurred because the general ledger balances of \$12,381,765.75, and \$10,400,072.36, in the Trial Balance for Accounts Payable submitted to the Accountant General were not cleared for financial years 2013/2014 and 2014/2015, respectively.</p> <p>3.2.12 Failure to submit accurate and proper Appropriation Accounts within the statutory deadline contravenes Section 24A (1) & (2) of the FAA Act.; and could form the basis for a qualified opinion on the statements.</p>

ISSUE/CONCERNS
<p>Absence of Risk Management Strategic Plan/strategy</p> <p>3.2.13 OPD did not have a documented risk management strategy or process in place. This contravenes FAA Act Regulations 144 and 145 respectively. Section 144 requires Accounting officers to ensure that there is an effective risk management process that determines the material risks to which the department may be exposed. While Section 145 stipulates that Accounting Officers should formulate A risk management strategy to guide the internal audit effort and priority, and determine the skills and resources required to manage the risks. In the absence of an effective risk management strategy, the internal control environment may be compromised.</p> <p>Breaches in Payment Procedure</p> <p>3.2.14 Thirteen (13) payments totalling \$1,882,294.50 were supported by photocopied or faxed copied instead of original supporting documents. This contravenes FAA Act Instructions 5.3 and 5.4, which require inter alia, each payment of public money to be made only on the “original” copy of the supporting document and if a payment is made on “duplicate” copies of supporting documents, this should be authorized indicating that no payment has been made on the original copy.</p> <p>3.2.15 In addition, seventy-seven payments amounting to \$6,688,043.70, from a sample of ninety-three payments examined revealed that the certifying officer did not affix the requisite certification to support goods and services received in accordance with FAA Act Instruction 5.4.</p>

Head 04000 Office of the Contractor General

ISSUE/CONCERNS
<p>Governance</p>
<p>3.2.16 The audit of the Appropriation account for 2015/16 for the Office of the Contractor General revealed a generally acceptable state of affairs. Expenditure for the year totaled \$232,117,307.83, which is 83 percent of the approved budget. However, management needs to strengthen the reviewing controls over the Loans bank account and journal vouchers to ensure accuracy of the reconciliations and compliance with the preparation, certification and authorization procedures. Management advised that steps have been taken to strengthen the controls.</p>

Head 07000 Office of the Children’s Advocate

ISSUE/CONCERNS
Governance
<p>Discrepancies with Advances</p> <p>3.2.17 There needs to be improvement in the controls over advances. We found no evidence of internal check and monitoring to ensure the balances were correct and timely cleared. At 31 March 2017, the List of Outstanding Advances showed that a total of \$345,657.12 (66%) out of a balance of \$526,335.94 was incorrectly classified.</p> <p>3.2.18 Failure to monitor and recover advances within one (1) month of disbursement contravenes Financial Instructions 7.9.6 and 7.9.8 respectively. Delay could make recovery more difficult and result in the loss of public funds. Additionally, incorrect classification of advances may mislead the users of the statement.</p> <p>Unsupported Credit Card Payments</p> <p>3.2.19 Contrary to FAA Instruction 5.3 the OCA did not provide the relevant supporting documentation for four credit card payments totalling J\$427,869.16. Therefore, we could not determine the legitimacy of the payments. This shortcoming could facilitate errors and misappropriation remaining undetected.</p> <p>3.2.20 The Executive Director subsequently indicated that an improved filing system has been implemented to store and retrieve records.</p>

Head 15000 Office of the Prime Minister

ISSUE/CONCERNS
Governance
<p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.21 The Office of the Prime Minister failed to submit the Recurrent, Capital A and Capital B Appropriation Accounts for the financial years 2015/2016 and 2016/2017 to this Department for audit. This was in breach of Section 24I of the Financial Administration and Audit (FAA) Act, which requires submission, within four months after the end of the financial year, March 31. Management advised that the delay is due to pervasive issues with the FINMAN system which require Ministry of Finance’s support to resolve and every effort is being made to finalise the statements. As a consequence of the delayed submission the AuGD was denied the opportunity to timely comment on whether the amounts allocated by the respective Appropriation Act were spent in keeping with Parliament’s wishes.</p>

ISSUE/CONCERNS
<p>3.2.22 The Accounting Officer was advised to take measures to ensure that Appropriation accounts are prepared and submitted for audit to comply with the FAA Act.</p>

Head 15202 Registrar General Department

ISSUE/CONCERNS
<p>Governance</p> <p>3.2.23 Our audit of the accounting records and financial transactions of the Registrar General's Department (RGD) revealed the following:</p> <p>Unreliable data from the application system</p> <p>3.2.24 RGD's Application Software does not satisfy the financial reporting needs of the Agency in relation to generating an accurate report on Customers' Applications that have not been processed at the end of the financial year. Consequently, the information generated was not reliable to support the Deferred Income reported by the Agency. For example, we tried to corroborate the data presented for Deferred Income and in more than one instance the information provided by three different sources varied significantly. RGD indicated that the system was never designed to generate such reports and that efforts will be made to update the application software.</p>
<p>Resource Management</p> <p>Amounts held in Departmental Deposit Account for extended period</p> <p>3.2.25 We identified a balance of \$2.7 million being held in the Departmental/ Customer Deposit account from as far back as 2010. RGD did not conduct monthly reconciliation of the account, as required by the Government guidelines. RGD indicated that the balance in the account comprised seven days' fees, express fees, and accumulated foreign currency differences. However, the audit could not determine whether the amounts should have been recognized as revenue or remain as a liability because RGD did not present the requested detailed schedule to support the amounts held. Therefore, it is likely that RGD's reported Income and financial position may be materially misstated.</p> <p>Unpaid Invoices for Prolonged Periods</p> <p>3.2.26 As at March 31, 2016, RGD's aged payables included 19 invoices totaling \$5.13 million that remained outstanding since October 2007. It was not evident that the Agency's internal control systems entailed timely investigations of long outstanding obligations. The Agency indicated that it has a plan in place to settle all long outstanding obligations.</p>

ISSUE/CONCERNS
<p>3.2.27 RGD was advised to implement proper systems of internal control over its cash management to ensure that revenue is not lying idle on deposit, and the Agency can fulfil its obligations when they fall due.</p>

Head 16000 Office of the Cabinet

ISSUE/CONCERNS
<p>Governance</p>
<p>Regulatory breach in submission of Capital B Appropriation Accounts</p> <p>3.2.28 The Cabinet Office did not submit the Capital B Appropriation Accounts for financial years 2015/2016 and 2016/2017. This was in breach of Section 24I of the Financial Administration and Audit (FAA) Act, which requires submission, within four months after the end of the financial year, March 31. Management advised that the delays are due to FINMAN issues which are being addressed through collaboration with the Ministry of Finance and the Accountant General's Department.</p>
<p>Resource Management</p>
<p>Fixed Asset Management</p> <p>3.2.29 There is need for improvement in the controls over fixed assets as the responsible officers did not update the Location Records with several assets, including fourteen (14) computers and a Kyocera Printer costing \$2,569,743 and \$1,548,000, respectively. Additionally, at the time of the inspection, from a sample of 19 assets 10 did not have the Ministry's identification code to assist in safeguarding them. Failure to maintain current inventory records might hinder management's ability to account for the assets. If assets are not marked this may facilitate unauthorized use and misappropriations.</p> <p>3.2.30 Management subsequently advised that corrective action has been taken and the inventory records have been updated</p>

Head 17000 Ministry of Tourism

ISSUE/CONCERNS
Governance
<p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.31 The Ministry of Tourism failed to submit the Recurrent and Capital B Appropriation Accounts for financial years 2015/2016 and 2016/2017 to this Department for audit. This breached Section 24I of the Financial Administration and Audit (FAA) Act, which requires submission, within four months after the end of the financial year. The AuGD is denied the opportunity to timely comment on whether the amounts allocated by the respective Appropriation Acts were spent in keeping with Parliament’s wishes.</p> <p>3.2.32 The Accounting Officer was advised to take measures to ensure that Appropriation accounts are prepared and submitted for audit to comply with the FAA Act. The recurrent Appropriation for 2015/16 was subsequently submitted.</p>

Head 19000 Ministry of Economic Growth and Job Creation

ISSUE/CONCERNS																
Governance																
<p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.33 The Ministry of Economic Growth and Job Creation which was established on March 7, 2016 has not submitted the 2015/16 Appropriation Accounts for certification with approved budget totaling \$4.41 billion for MEGCJ and MWLECC. The Appropriation Accounts for financial year 2016/2017 with approved budget of \$17.17 billion were submitted to the MoFPS and the Auditor General’s Department subsequent to the due date, on November 1, 2017, four months after the statutory deadline. The approved budgets for the respective periods are as follows:</p> <p>Approved budget (\$’000)</p> <table border="1"> <thead> <tr> <th>Period</th> <th>190000 Recurrent</th> <th>- 19000A - Capital A</th> <th>19000B - Capital B</th> </tr> </thead> <tbody> <tr> <td>2015-2016*</td> <td>1,240,423.0</td> <td>-</td> <td>145,049.0</td> </tr> <tr> <td>March 7 – March 31, 2016</td> <td>475,962.0</td> <td>72,476.0</td> <td>2,471,193.0</td> </tr> <tr> <td>2016-2017</td> <td>5,934,910.0</td> <td>533,320.0</td> <td>10,696,868.0</td> </tr> </tbody> </table> <p>*Former Ministry of Water, Land, Environment and Climate Change</p>	Period	190000 Recurrent	- 19000A - Capital A	19000B - Capital B	2015-2016*	1,240,423.0	-	145,049.0	March 7 – March 31, 2016	475,962.0	72,476.0	2,471,193.0	2016-2017	5,934,910.0	533,320.0	10,696,868.0
Period	190000 Recurrent	- 19000A - Capital A	19000B - Capital B													
2015-2016*	1,240,423.0	-	145,049.0													
March 7 – March 31, 2016	475,962.0	72,476.0	2,471,193.0													
2016-2017	5,934,910.0	533,320.0	10,696,868.0													

ISSUE/CONCERNS
<p>Audit Committee and Internal Audit</p> <p>3.2.34 Despite being the subject of the Compliance Audit Report for the period, FY2014/15, the Audit Committee of the MEGJC continues to be non-functional as no meeting was held for the financial year 2016/2017. Therefore, we were unable to determine the extent of independent oversight of the work of the Internal Audit Unit to ensure the scope and audit approach are relevant to monitor the MEGJC's systems of internal controls.</p> <p>3.2.35 Further, we saw no evidence that the Chief Internal Auditor submitted written reports to the Accounting Officer, and only one quarterly report was submitted to the Financial Secretary.</p> <p>Recommendations</p> <p>3.2.36 The MEGJC should report the non-performance of the Audit Committee to the GoJ's Audit Commission so that corrective action can be taken. Internal Audit should make quarterly reports to the Financial Secretary, in accordance with the FAA Act.</p> <p>3.2.37 The MEGJC advised that the Internal Audit Unit was instructed to take the necessary steps to submit its quarterly reports to all concerned.</p> <p>Absence of Risk Management Framework</p> <p>3.2.38 The Ministry of Economic Growth and Job Creation has not implemented an enterprise wide risk management framework to facilitate a structured, consistent and continuous process for managing risk.</p> <p>3.2.39 MEGJC has since advised that a Risk Management and Mitigation Strategy Committee which has the responsibility to, inter alia, produce the risk management framework is now in place.</p>
Resource Management
<p>Unauthorized transfer of Funds between financial patterns at year-end.</p> <p>3.2.40 In March 2015 and March 2017, MEGJC and its predecessor MWLECC transferred \$21 million and \$10 million, respectively from the Recurrent Account to the Ministry's Calendar Deposit Account 2. We noted that, from the \$21 million transferred, payments amounting to \$15.88 million were made in June 2016 from the Calendar Deposit Account to purchase three motor vehicles, more than 14 months after</p>

² This Subsidiary Deposit account was established for the printing of calendars

ISSUE/CONCERNS

the transfer in March 2015. In addition, payments amounting to \$10.17 million were made in June 2017 from the Calendar Deposit Account to purchase two motor vehicles. This was in breach of Section 24L of the FAA Act which require the Accounting Officer to surrender unspent funds at the end of the financial year to the Consolidated Fund. Further, the MoFPS guidelines does not permit the Accounting Officer to transfer funds between financial patterns; that is, from Recurrent Head to Deposit. Consequently, the audit opinion for the Appropriation Accounts will be qualified.

3.2.41 MEGJC should ensure that funds are spent in the financial year for which they are approved, and that unspent amounts at end of the financial year is surrendered to the Consolidated Fund.

3.2.42 The Ministry subsequently informed us that the policy of lodging funds to the Ministry’s Calendar Account has discontinued as they have opened individual subsidiary deposit account in the deposit account.

Weaknesses in Fixed Assets Management

3.2.43 The MECJC did not maintain the requisite fixed asset records to reflect all the fixed assets under its control, including assets purchased for approximately \$15.03 million during FY2016/17, and those transferred to the Ministry when it was created in March 2016. We also identified assets that were not marked with the Ministry’s unique identification codes. Additionally, the MEGJC did not present for audit inspection, three printers purchased at cost totalling \$3.03 million as these could not be located.

3.2.44 For the period under review, the MEGJC paid \$1.78 million to repair and service fixed assets; however, the Ministry did not maintain the requisite Operational and Efficiency, and Office Machines and Equipment Records. These records are “life record” of the asset, which should record all the history of repairs, and general servicing. Therefore, in the absence of these control records, it would be difficult for the Ministry to determine whether it is economical to keep particular assets.

3.2.45 The Ministry’s failure to maintain proper records of its fixed assets further inhibits the Management’s ability to safeguard the assets from misappropriation and misuse, and impedes its ability to control and efficiently manage the use of the assets under its stewardship

3.2.46 The Ministry should implement proper systems of controls over its assets to ensure compliance with the MoFPS guidelines and recover any loss arising from officer(s) negligence.

Bank Accounts not reconciled

3.2.47 MEGJC was not faithfully reconciling its bank account in keeping with the FAA Instructions. We found that for the period under review MEGCJ did not reconcile two

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salary bank accounts while the Ministry was not consistent in preparing monthly reconciliations for three other bank accounts. The risk of errors and irregularities going undetected is heightened in the absence of monthly reconciliation of the Ministry's bank accounts.

3.2.48 The MEGJC's failure to exercise proper control over its bank accounts resulted in the banks imposing penalties and charges of \$44,051.62. This arose from an overdraft on one of its account, the imposition of dormant fee due to the non-funding of an account six months after opening the account and return cheque fee due to MEGJC's failure to advise the bank of a change to the signatories on one of its account.

3.2.49 The Ministry subsequently informed us that the reconciliation for the bank accounts in question were brought up to date. However, the late reconciliation resulted in the bank imposing fees and charges for overdrawn balances.

3.2.50 In order to avoid bank charges, MEGJC should implement proper cash management practices to manage bank accounts in compliance with FAA Instructions. The Ministry should seek to recover from the culpable officer(s) where the charges were negligently incurred.

Lack of independent check of Appropriation in Aid (AIA)

3.2.51 MEGJC's system of internal control does not include a review of monthly statements submitted from its outstations, to satisfy itself that the amounts submitted were accurate and complete. Consequently, MEGJC did not identify an overstatement of \$130,000.00 in AIA collection from one of its Agency. This error could impact the expenditure reflected in the Appropriation account and the amount that is to be surrendered to the Consolidated Fund (if collection is in excess of approved voted AIA).

3.2.52 The Ministry gave an undertaking that verification of the AIA will be conducted by the Internal Audit Unit.

Head 19000 Ministry of Economic Growth and Job Creation: Head 19050 National Works Agency

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<p>Resource Management</p> <p>3.2.53 The audit of the accounting records and financial transactions of National Works Agency was conducted for the 2015/2016 financial year during the period December 5, 2015 to January 27, 2016.</p> <p>Delays in collecting management Fees</p> <p>3.2.54 At March 31, 2016, the Agency's aged receivables of \$1.74 billion included Management Fees totalling \$1.1 billion that have been outstanding for more than two years. NWA indicated that over 90 per cent of the long outstanding amounts represent fees owed by Government entities for projects that were completed; this includes approximately \$680 million owed from one entity. NWA was therefore unable to pay over to the Consolidated Fund the 50 per cent of net surplus earned in previous years in keeping with Section 4.1.1 of the Financial Instructions to Executive Agencies.</p>
<p>Management Fees Overstated</p> <p>3.2.55 Our review disclosed that NWA overstated the income from Management Fees reported in its financial statements by \$50 million. This occurred as NWA recorded in the current financial year 2015/2016, Management Fees amounting to \$50 million for projects completed in FY 2012/2013 and FY 2013/2014. This practice is not consistent with the recognition criteria promulgated by International Public Accounting Standards (IPSAS 9), which stipulates that revenue should be recognized in the period they are earned. This overstatement impacted the accuracy of NWA's reported income and by extension the reliability of financial information that stakeholders will use in the decision making process.</p> <p>3.2.56 We recommended that the NWA strengthen its systems to improve the collection of debts and reporting of income.</p>

Head 19000 Ministry of Economic Growth and Job Creation: Road Maintenance Fund

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Governance
<p>3.2.57 The Road Maintenance Fund (RMF) was established under the Road Maintenance Fund (RMF) Act of, 2002 and commenced operation in August, 2003. The Fund was setup for the purpose of road maintenance and for matters incidental thereto and connected therewith. The RMF receives thirty-three and one third (33 1/3) percent of the Motor Vehicle Licenses Fees paid under the Road Traffic Act. The money should be used exclusively to accomplish the Fund’s objectives.</p> <p>3.2.58 An audit of the accounting records and financial transactions of Road Maintenance Fund (RMF) was conducted for the 2016/17 financial year The following concerns were noted:</p> <p>Breach of Road Maintenance Fund Act</p> <p>3.2.59 Our audit revealed that contracts valued at \$48.105 Million were awarded to repair two parochial roads, contrary to the RMF Act. However, we saw no evidence that the parochial roads were gazetted by the Minister. Therefore, the amounts approved by management is in contravention of the Road Maintenance Act.</p>
Resource Management
<p>Outstanding advances for prolonged periods</p> <p>3.2.60 Since the completion of the Jamaica Development Infrastructure Programme (JDIP) in FY 2015/2016, RMF has not received the respective supporting documents to clear outstanding advance of \$71.87 Million. In addition, RMF did not present for audit scrutiny, standard operating procedures that guides the management of advances to the National Works Agency. Consequently, monies advanced to the National Works Agency for road repairs remained outstanding for a protracted period. At the time of reporting, an amount of \$914.58 Million remain un-cleared.</p> <p>3.2.61 In the absence of the supporting documents to clear the advances, we were unable to provide assurance that the amounts advanced were used for the intended purpose. This undermines the accountability process and demonstrates disregard for proper financial management, as the said matter was the subject of previous audit report.</p> <p>3.2.62 Management was encouraged to take appropriate steps to recover all outstanding advances to improve transparency and accountability over the management of public resources.</p>

Head 19000 Ministry of Economic Growth and Job Creation Land Administration and Management Programme (LAMP)

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Resource Management
<p>3.2.63 The Land Administration and Management Programme is governed by the Registration of Titles, Cadastral Mapping and Tenure Clarification (Special Provisions) Act (2005). The entity's functions include:</p> <ul style="list-style-type: none"> • Land Registration; • Public Land Management; and • Land Use Planning and Development. <p>3.2.64 The audit of the accounting records and financial transactions of Land Administration and Management Programme (LAMP) for the financial year 2014/2015 revealed a general satisfactory state of affairs. The few weaknesses identified have been satisfactorily addressed by LAMP.</p>

Head 19000B Ministry of Economic Growth and Job Creation, Planning Institute of Jamaica: Jamaica Foundations for Competitiveness and Growth Project – 9462

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Project Management
<p>3.2.65 The Foundation for Competitiveness and Growth Project is jointly funded by the Government of Jamaica (GOJ) and International Bank for Reconstruction and Development (World Bank). The loan of US\$50M should be issued by the World Bank over a six-year period from September 3, 2014, when the agreement was signed, to June 30, 2020.</p> <p>3.2.66 The Project objective is to strengthen the business environment in Jamaica for private sector investment. Both existing and new firms will benefit from streamlined business regulations that save costs and decrease incentives for rent-seeking. Large foreign and domestic investors will benefit from appropriate preparation for Public-Private Partnerships (PPPs), divestments, and other strategic investments that help bring deals to market.</p> <p>3.2.67 An audit of the accounting records and financial transactions of the Foundations for Competitiveness and Growth Project (FCGP) was conducted for the period ending March 31, 2017 and our main finding was that, despite an improvement in the project implementation rate from</p>

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<p>8 per cent in 2015/2016 to 19.5 per cent as at March 31, 2017, the implementation of activities continues to lag behind.</p> <p>3.2.68 The PIOJ attributes the lag in implementation to the lengthy procurement activities, lack of technical expertise at the respective MDAs. We noted that the Project has spent US\$5.2 million of the US\$29.2 million allocated for procurement of goods and services since implementation. The slow implementation of project activities put the project at risk of not achieving the intended outcome of enhancing competition in the business environment and upgrading SMEs capabilities.</p> <p>3.2.69 Management should take corrective action by implementing proper project management strategies to ensure that the project activities are completed and the intended outcome is achieved.</p>

Head 20000 Ministry of Finance and the Public Service

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Governance		
Regulatory breach in submission of Appropriation Accounts		
<p>3.2.70 The requirement of the Legislation for timely submission of Appropriation Accounts has not been met by the MOFPS for all their Appropriation Accounts. Up to the time of reporting, Appropriations accounts for 2015/16 and 2016/17 with approved budget of \$75.282 billion had not been submitted.</p> <p>3.2.71 The non-submission of the Appropriation Accounts not only breaches the FAA Act but it also undermines good governance practices as stakeholders are denied relevant information to inform decisions and to hold the Accounting Officer accountable for the use of public funds under his/her stewardship.</p>		
Table 14 - Outstanding Appropriation Accounts and Approved Budget		
Financial Year	Head	Approved Budget (\$'000)
2015-16	Head 2000B - Capital B	2,375,789
2015-16	Head 2000 - Recurrent	36,118,169
2016-17	Head 20000A - Capital A	3,764,609
2016-17	Head 20000B - Capital B	3,315,803
2016-17	Head 20000 - Recurrent	29,708,084
TOTAL		75,282,454
Resource Management		

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<p>Uncleared Advances</p> <p>3.2.72 As at March 31, 2017 uncleared advance balances amounted to \$379,513 for personal advances and \$493.48 million for prior year Contingency Advances. At the time of reporting outstanding/uncleared Contingency Advances amounted to \$216.0 million. These amounts were advanced by the MoFPS to other MDAs for prescribed emergencies and has the effect of understating expenditure.</p>

Head 20000 Ministry of Finance and the Public Service Strategic Public Sector Transformation Project – Loan Contract No. 8406JM/DFID Grant TFOA 1633JM

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<p>Resource Management</p> <p>3.2.73 There was a generally satisfactory state of affairs for the year ended March 31, 2017. There was general compliance with the terms and conditions outlined in the loan and grant agreements.</p>

Head 20011 Accountant General’s Department (AcGD)

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<p>Governance</p> <p>3.2.74 The Accountant General’s Department did not respond to the Audit Report sent on August 21, 2017 and October 10, 2017 and the Annual Report Verification Extract which was sent on November 23, 2017.</p> <p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.75 Up to the time of reporting, the Accountant General did not submit 14 Appropriation Accounts for the AcGD, Pension and Public Debt Heads for the financial years 2011/2012 to 2016/2017 as required by the FAA Act. (Please see table below)</p> <p>3.2.76 For the mentioned periods Parliament approved budgetary allocation of approximately \$953.60 billion to these Heads. Therefore, the non-submission of the Appropriation Accounts prevents Parliament from effectively monitoring expenditure relating to the Public Debt and Pension Payments among other things. Further, this also undermines good governance practices as stakeholders are denied relevant information to</p>

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inform decisions and to hold the Accounting Officer accountable for the use of public funds under her stewardship.

Table 15: Appropriation Accounts not submitted

Financial Year	Head	Approved Budget (\$'000)	No. of Accounts
2013/14- 2016/2017	Head 2019 Pensions	105,652,060	4
2014/2015 – 2016/2017	Head 20011 Accountant General Dept.	1,803,506	3
2010/11- 2016/2017	Head 20018 Public Debt	761,733,611	6
2016-17	Head 20000A- Public Debt (Debt Amortization)	84,414,452.	1
TOTAL		953,603,629	14

Source Accountant General Records

3.2.77 AcGD should implement corrective measures to ensure that the Appropriation Accounts are submitted for certification by the deadline stipulated in the Law.

Absence of risk management framework

3.2.78 The AcGD does not have a risk management framework despite the critical role it plays in managing the Consolidated Fund and the Public Debt. A Risk Management framework is important to safeguard the resources of the government in executing its fiscal responsibility.

Standard Operating Procedures (SOPs) not in place to guide processes

3.2.79 We found that the Department did not implement approved SOPs to guide the processing of expenditure, bank reconciliations, fixed assets and procurement. Hence, there is the increased risk of inconsistencies in the application of procedures or the non-adherence to established guidelines.

3.2.80 The AcGD should develop and implement a risk strategy and SOPs in order to increase accountability and probity for the various activities of the Department.

Resource Management

3.2.81 There has been no noted improvement in the financial management weaknesses reported in previous reports as, the findings below substantiate that the AcGD has done very little to address the prevailing deficiencies in the preparation of the Statements of the Consolidated Fund.

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3.2.82 Each year, the AcGD should prepares an annual statement (**Statement F**) that outlines Capital Investments of the Consolidated Fund. Our audit of Statement F - for the financial years 2008/2009 to 2015/2016 revealed following:

3.2.83 Although the AcGD have SOPs to govern the acquisition and disposal of shares, we found that in some instances there was significant time lapse for acquired shares to be reported in the Statements.

3.2.84 In addition, AcGD did not implement adequate controls to ensure that the supporting documents such as share certificates, audited financial statements and communication files were reviewed and discrepancies followed up in a timely manner for the Statements to be complete and accurate.

3.2.85 Further, the Share Register was not properly maintained to provide pertinent information such as the balance of shares carried forward at beginning of each financial year, date of transfer, acquisitions and disposals of shares during the year and the balance of shares at the end of each financial year.

3.2.86 These systemic weaknesses may have contributed to the inaccuracies identified in the Statements as follows:

Share Certificates not issued in the name of the Accountant General

3.2.87 We noted that 128 ordinary shares valued at \$17,413 and 25 million preference shares issued at no par value were not in the name of the Accountant General in keeping with the FAA Act, Crown Property (Vesting) Act 1960 and Cabinet Instruction. They were instead issued in the names of Public Officials and Entities. As such, the government may be deprived of the return on these investments as well as its rights to take part in the decision making process if the ownership of shares is not appropriately identified.

Inaccuracies in the Statements

3.2.88 The Statements were overstated by 102,462,198 shares valued at \$158.4 million over the period 2008/2009 – 2015/2016. For the same period, 501,847,092 shares owned by GOJ with value of approximately \$38.3 billion were not reported in the Statements. These errors have a net effect of understating the reported number of shares by 399,384,894 valued at \$38.1 billion.

3.2.89 We also noted that the AcGD was not very proactive in resolving discrepancies identified. For instance, there was no evidence of an amended agreement between the GOJ and Air Ja. Ltd for the transfer of shares. Also, we were unable to verify that the remaining 207,107,977 shares were indeed transferred to the GOJ at the time Air Jamaica Ltd was reorganized. Up to the time of this report, there was no evidence that the discrepancies identified had been resolved. In addition, AcGD did not effect the requisite changes to the

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<p>Statements to reflect the merger of two entities 11 years ago. The merged entities were disclosed separately on the face of Statements.</p> <p>3.2.90 The public coffers could be denied revenues from the non-recognition of its rights to these shares/ investments. The inaccuracies identified also prevents the necessary assurance regarding the reliability and integrity of the Statements.</p> <p>GOJ holding shares in Non-Operational Entities for protracted periods</p> <p>3.2.91 At March 2016, twenty-two (22) entities holding 4.67 billion or (47 per cent) of the GoJ ordinary shares valued at approx. JA\$5.97 billion were not in operation. We noted that 10 of the 22 entities had been in the process of “winding up” for periods ranging from six (6) to fifteen (15) years.</p> <p>3.2.92 Ownership of shares in non-operational entities causes funds to be unutilized and GOJ may not be able to recover its investment due to diminished financial capacity of these entities.</p> <p>Statement C- Actual expenditure from the Consolidated Fund Principal Bank Account as compared with the Estimates of Expenditure</p> <p>Inaccuracies resulted in net overstatement of \$13.4 billion on the Statements</p> <p>3.2.93 The AcGD did not include in the Statement, Finance Committee Amendments representing net understatement of budgetary allocations amounting to \$719 million. Additionally, Treasury Bill Redemption for \$14.1 billion was included on the Statement twice.</p> <p>Weak internal controls</p> <p>3.2.94 We noted that the AcGD did not have proper controls to prevent unauthorized access to the computer system. We found that all officers involved in the process of preparing and reviewing Statement C used the same password, which remained unchanged for many years. Further, proper supervisory reviews to detect errors and irregularities in the financial information was lacking.</p> <p>Tardiness in recovery of outstanding debt</p> <p>3.2.95 There were no documented evidence that AcGD was pursuing the collection of outstanding debt of \$128,933 owed by an officer who did not serve the 3-year bond period.</p> <p>Inadequate control over fixed assets</p> <p>3.2.96 AcGD did not implement adequate control over its assets as, the requisite Master and Individual inventory records were not updated with assets purchased for \$1.66 million during the period under review.</p>

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<p>Deficiencies in the Payment Process</p> <p>3.2.97 The AcGD did not submit for audit review, 37 payment vouchers and supporting documents for transactions totalling \$13.5 million. Therefore, we were unable to verify the authenticity and accuracy of the payments.</p> <p>Weak controls over the bank reconciliation process</p> <p>3.2.98 The internal controls over the processing of bank reconciliation statements needs to be strengthened. We reviewed 11 accounts and found delays in the preparation of the bank reconciliation statements for up to nine months. Further, the AcGD did not submit 11 other bank reconciliations requested for our review.</p> <p>3.2.99 Three bank reconciliation statements reviewed revealed unreconciled items of approximately \$281.2 million. In addition, we found no evidence of the Financial Secretary's approval for operating a bank overdraft, which incurred charges \$4,546.50.</p>
Procurement and Contract Management
<p>Weaknesses in the procurement process</p> <p>3.2.100 The AcGD did not have a valid contract to support payments amounting to \$9.0 million, paid to a security company over the period September 2016 and June 2017. The absence of valid contract could expose the AcGD to certain risks such as unplanned price increases and unsatisfactory performance. Additionally, we found no evidence that a contract for \$1.15 million paid for preventative maintenance was subject to proper scrutiny in order to protect the AcGDs interest.</p>

Head 20012 Jamaica Customs Agency (JCA), Activity Based Audit: Management of Detained and Seized Imported Goods

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Resource Management
<p>3.2.101 We conducted an Activity Based audit of JCA's Management of detained /seized imported goods to determine whether the JCA is efficiently managing the detention and seizure of cash and imported goods. In addition we conducted a limited review of the extent to which JCA monitors public and private warehouses. Our audit covered the period 2013/14 - 2015/16.</p>

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3.2.102 The absence of proper control mechanism over the detention or seizure of goods could allow uncustomed or illicit goods to enter the Jamaican market. This may also facilitate evasion of customs duties and taxes, which could impact revenue collection.

3.2.103 JCA did not implement the required systems to ensure effective controls over cash and monetary instruments seized under the Proceeds of Crime Act (POCA). Over the period 2007 to 2016, JCA seized cash and other monetary instruments totalling JA\$45.8 million (US\$368,840.86), CND\$7,000 and 12 US\$ debit cards. However, JCA did not deposit these funds until our audit and was unable to indicate that the amounts seized was required as evidence. Further, JCA could not account for missing travellers cheques totalling \$1.8 million that had been in storage at one of its main office since 2012 and only discovered that the funds were missing during a handing over exercise in October 2015. The GoJ assumes the risk of compensating the owners if detained cash goes missing and the outcome of the investigation is in their favour.

3.2.104 JCA reported that the JCF Fraud Squad investigated the loss and made recommendations that were being reviewed by the JCA's Legal Unit to determine disciplinary action. JCA has since approved a Detention Policy.

Incomplete documentation and monitoring of controls inhibits tracking and accounting for detained items

3.2.105 Our review of JCA's documentation of the detention and seizure process revealed that detention notices were not pre-numbered and in some instances were partially completed as some critical information such as the description of items, name of importer and location to which the items were transferred, were not recorded. Also, there was no evidence of supervisory or internal audit checks of the seizure records, for the financial years 2007/08 – 2015/16, at the two international airports and Contraband Enforcement Team Administrative Office.

JCA was not proactive in conducting the required hazard assessment of the three Queens Warehouses to identify/control health and safety hazards.

3.2.106 Detained or seized goods are transferred/deposited to the Queen's Warehouse for safeguarding and storing without payment of duties. Disposal or return of items to importers is done upon fulfilment of the JCA's requirements or payment of applicable customs duties.

3.2.107 At the time of our audit, two trailer containers and at least fifteen barrels of seized chemicals and hazardous materials were stored in Queens 230 Warehouse, along with other goods, since 2007. However, over the period April 2013 to May 2016, we found that JCA only conducted the assessments after officers at Queens 230 Warehouse fell ill from inhalation of unknown substances in October, 2015

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<p>3.2.108 The JCA had not fully implemented the 35 recommendations for fire safety standards breaches identified by Jamaica Fire Brigade (JFB) as far back as 2011. Our site visits to the three warehouses revealed that critical recommendations remained outstanding.</p> <p>3.2.109 JCA’s failure to implement the proper health and safety controls at its Queen’s Warehouse and ports could deny Government customs duties and applicable taxes if goods in the JCA’s custody are damaged or destroyed. Additionally, the public purse will be negatively impacted from monetary claims arising from ill health, loss and damage of properties occasioned by JCA’s negligence.</p> <p>3.2.110 JCA stated that its “decision to let the chemicals remain on the port in order to safeguard the staff at the Queens warehouse is in keeping with its commitment for the staff to work in a safe environment”.</p>
<p>JCA’s tardiness in monitoring Private Bonded Warehouses may have contributed to delays in detecting breaches of the Customs Act</p> <p>3.2.111 We found that JCA was tardy in monitoring goods that were held in Private Bonded Warehouses resulting in instances of customs duty evasion by some operators. Under the Customs Act, goods can be stored in Private Warehouses up to a year; once goods are removed the custom duties become payable, immediately. Private Bonded Warehouse owners are required to submit bond equal to the duty chargeable on the goods stored in the warehouses. JCA is required to periodically review the value of goods stored in the Private Bonded Warehouses to ensure that value of goods does not exceed the value of the bond.</p> <p>3.2.112 Of the eight private bonded warehouses audited, the records showed that for six warehouses there were delays in the review of bonds for periods ranging from one to six years while there was no evidence of review for the remaining two.</p> <p>3.2.113 JCA’s failure to conduct timely reviews of bonds could have resulted in some private bonded warehouse operators having goods valued in excess of the bond they posted. This was demonstrated in FY 2012/2013 where JCA conducted bond reviews of 12 operators, resulting in 9 operators having to increase their bonds from \$141.5 Million to \$314 million, a 122 per cent increase. The next bond review carried out three years later in FY 2015/2016 showed that six of 19 operators had goods valued in excess of the \$174.1 million bonds posted. These operators were required to increase their bond to \$310 million or reduce their inventory. Since the audit, one warehouse owner has fully paid its liabilities of \$34 million, while the other has entered into a payment plan with the JCA. In addition, the JCA pursued legal action against two warehouse owners in an effort to collect the outstanding customs duty.</p> <p>3.2.114 In addition to periodically reviewing the bonds posted by warehouse owners, JCA is required, in keeping with the Customs Handbook, to conduct periodic spot checks and annual stock count at each Private Warehouse. Our audit revealed that the spot checks</p>

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were of limited effectiveness as over a four-year period, 2012/13 - 2015/16, JCA undertook in excess of 15 spot checks at each Private Bonded Warehouse but did not report any breach of the Customs Act. However, subsequent annual stock counts of these same warehouses revealed breaches that were not reported by way of the spot checks.

3.2.115 We noted that JCA took up to 30 months to conduct the requisite annual stock counts at some of these warehouses. Arising from these stock counts, JCA uncovered breaches, which included unlawful removal of goods from the warehouses and goods for which custom duties were due and payable. This resulted in JCA being owed \$498 million in customs duty at March 2016 from fifteen Private Bonded warehouse operators.

3.2.116 Additionally, JCA advised that at least three Customs Officers were complicit and negligent in their duties of reporting Customs breaches during their monitoring of the Warehouses. The officers were reassigned with a view to disciplinary action being taken.

3.2.117 JCA has since advised that the Agency has increase the spot checks and stock counts conducted at the Private Bonded Warehouses. The warehouses that were in breach of the Customs Act were placed under dual custody. In addition, the monitoring of the warehouse inventory stock is now assisted by the implementation of the warehouse module in ASYCUDA.

3.2.118 JCA should strengthen the internal controls to ensure effective monitoring of the detention/seizure process. JCA should also move with alacrity to finalize procedures and coordinate with stakeholders the process for handling hazardous materials.

3.2.119 JCA should upgrade its warehouse facilities to ensure that they meet local and international standards. This includes periodic safety and health checks to protect employees and other stakeholders using the facilities. JCA should also undertake a comprehensive review of Private Warehouse operations to detect breaches of the Custom's Act and prevent revenue leakage.

3.2.120 The compliance audit of the JCA accounting records and financial transactions disclosed the following:

Un-cleared Advances

3.2.121 At March 2017, \$4.2 million of the \$8.79M advances made to senior officers prior to April 2013 for the purchase of goods and services remained un-cleared. We saw no evidence that the Agency had implemented systems to monitor monies advanced to officers and take action against delinquent officers, who failed to submit invoices on a timely basis to clear advances as required by Section 7.9.1 of the Financial Instructions. In the absence of the bills and invoices we could not determine whether the sums advanced to these officers were used for the intended purposes.

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<p>3.2.122 JCA has since indicated that the recovery process is tedious as some staff members are no longer with the Agency.</p>
<p>Erroneous debits and credits on Bank Reconciliation Statement</p> <p>3.2.123 We noted that reconciliation statement for one of JCA’s deposit account up to July 2017, was not properly reconciled. The reconciliation statements included erroneous debits and credits totalling \$9.1 Million and \$58.45 Million, respectively. In addition, there were unreconciled differences amounting to \$721,008.54 and \$20,170 since financial year 1993/94. We did not see any recent evidence that the JCA was actively following up with the bank to rectify these errors which represent potential exposure of \$68.28 Million. JCA’s failure to properly reconcile and follow up on discrepancies in its banking transactions not only breached the GoJ guidelines but also undermines the effectiveness of the reconciliation process and heightens the risk of undetected loss.</p>
<p>Procurement and Contract Management</p>
<p>Payments being made without valid contracts</p> <p>3.2.124 We noted that JCA made payments amounting to \$119.52 million to five companies for services, without the requisite contracts in place. In addition, two companies were paid on expired contracts. This not only constitutes a breach of Section 19C (1) and (2) of the FAA Act but also, the government’s interest was not protected against non-performance.</p> <p>3.2.125 JCA was advised to implement corrective action to address these weaknesses.</p>

Head 20056 Tax Administration Jamaica (TAJ)

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Governance
<p>3.2.126 The TAJ has not respond to the Audit Report which we submitted on November 16 2017.</p> <p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.127 TAJ did not meet the requirement of the Legislation for timely submission of Appropriation Accounts as up to the time of reporting, Appropriation accounts for 2014/2015 to 2016/2017 with approved budget of \$23.5 billion had not been submitted for certification. This constitutes a significant legislative breach of TAJ’s accountability as the non-submission of the Accounts prevented key stakeholders from assessing management’s stewardship over appropriated funds.</p> <p>Approval sought to reallocate appropriated funds three years after expenditure</p> <p>3.2.128 TAJ did not seek approval for the reallocation of funds until 2016, three years after incurring excess expenditure of \$41.5 million. Also, TAJ reallocated a total of \$2.7 million in excess of the amount required for four activities. This is a breakdown in the accountability process.</p> <p>3.2.129 Management should endeavor to spend within the approved budgetary allocation and where this cannot be done to seek prior approval in accordance with the regulation.</p>
Resource Management
<p>Weak control over Fixed Assets continues</p> <p>3.2.130 Despite being the subject of previous reports TAJ still has not maintained the requisite Master Inventory record to account for all fixed asset owned. Consequently, fixed assets purchased at a cost of \$100 million over the financial years 2013/2014 to 2015/2016 were not recorded in the requisite Master Inventory. In addition, individual inventory records did not reflect assets purchased prior to October 2016.</p> <p>3.2.131 Further, TAJ did not update its motor vehicle inventory records to include the acquisition of two motor vehicles purchased a cost totalling \$9.4 million and the Operational Efficiency Record that gives a history of repairs and maintenance of its vehicles was not maintained.</p> <p>Uncleared Advances</p> <p>3.2.132 TAJ has not been clearing advances in a timely manner resulting in uncleared advances totalling \$35.0 million at March 31, 2017. TAJ’s failure to clear the advances increases the risk of expenditure being understated in the Agency’s Appropriation Account.</p>

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Procurement and Contract Management
<p>Retention monies on deposits for protracted periods</p> <p>3.2.133 Our review of contracts for the period 2013/2014 to 2016/2017 revealed that TAJ had not paid over retention monies totalling \$1.1 million despite the expiration of the contract retention period that, in some instances, exceeded two years.</p>

Head 26022 Police Department

ISSUE/CONCERNS
Resource Management
<p>Management of Fixed Assets</p> <p>3.2.134 Furniture and equipment purchased during the period April 2014 to March 2015 amounting to approximately \$10 million were not included in the JCF's Fixed Assets Register. This breakdown of the controls which was the subject of previous audit reports increases the risk of misappropriation of assets going undetected.</p> <p>Recommendation</p> <p>3.2.135 The JCF was advised to update its fixed assets inventory records in accordance with the Government's Procedure Manual on Control of Government Furniture, Office Machines and Equipment. Management was also advised to take corrective actions to strengthen the controls over fixed assets to ensure compliance with the relevant guidelines and the timely recording of assets. The JCF has since indicated that it is implementing a new electronic inventory management system and that data entry and training for the end-users have already started.</p> <p>Motor Vehicle Accidents</p> <p>3.2.136 The JCF reported that for the period January 2014 to March 2015, its vehicles were involved in 100 motor vehicle accidents. However, the Accounting Officer did not report the full details of the losses incurred to the Financial Secretary and the Auditor General in keeping with the Financial Instructions and the Ministry of Finance guidelines. Additionally, JCF records indicated that the Government driver may be at fault in twelve of the accidents. Consequently, the Police High Command has ordered an investigation into these twelve cases.</p>

ISSUE/CONCERNS
<p>3.2.137 The management of the JCF was encouraged to ensure that urgent steps are taken to implement a driver safety program to protect the organization's resources and guard against potential liabilities associated with crashes. Going forward, the JCF should also ensure that all motor vehicle accidents are reported to the relevant authorities and appropriate action taken against negligent drivers in keeping with the Financial Instructions and the Ministry of Finance guidelines.</p>
<p>Overpayment of Emoluments</p> <p>3.2.138 Fourteen former members of the JCF were overpaid salaries and allowances amounting to approximately \$1 million. The overpayments represent a potential loss to the Government and the responsible officer(s) may be held accountable if the amounts cannot be recovered.</p> <p>3.2.139 The management of the JCF was advised to take steps to recover the amounts overpaid and strengthen its internal controls over the preparation and payment of salaries. The JCF has since indicated that steps will be taken to recover the amounts from the vacation leave of the former members. Management anticipates full recovery of the amounts by January 31, 2018.</p>

Head 28030 Administrator General's Department

ISSUE/CONCERNS
<p>Resource Management</p>
<p>3.2.140 The audit of the financial statements and transactions for the period under review disclosed a general satisfactory state of affairs. The issues pointed out to management were resolved.</p>

Head 28054 Court Management Services

ISSUE/CONCERNS																																																																																					
Governance																																																																																					
<p>3.2.141 The Court Management Services (CMS) was established to restructure the institutional framework through which administrative services are provided to the Courts. This is anticipated to strengthen judicial independence and enable the Judiciary and the Courts to have greater input in budgetary decisions and execution of activities surrounding the operations of the Courts. CMS is responsible for performing a range of Court-related administrative services, these include:</p> <ul style="list-style-type: none"> • Finance and Accounts; • Human Resource Management and Administration; • Information and Communication Technology Services; • Customer/Client Services; • Property Management and Maintenance; • Internal Audit. <p>3.2.142 The CMS's Accounting Officer is required to prepare Appropriation Accounts for the CMS and the various courts showing expenditure, approved estimates and explanations for major variations in accordance with the Financial Administration and Audit (FAA) Act.</p> <p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.143 The CMS's Accounting Officer did not submit thirty-seven Appropriation Accounts representing an accumulated budgetary allocation of approximately \$13.4 billion for the financial years 2010/2011 to 2016/2017 within the statutory deadlines as required by the FAA Act (see table below). Twenty-five of the thirty-seven Appropriation Accounts were submitted for audit between April and December 2017, while the other twelve remain outstanding. We have since commenced the audits of five of the Appropriation Accounts.</p> <p>Table 16: Budgetary Allocation to CMS and the Courts</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="6">Estimates of Expenditure (\$'000)</th> <th rowspan="2">Total</th> </tr> <tr> <th>CMS</th> <th>Court of Appeal</th> <th>Family Courts</th> <th>Revenue Court</th> <th>RM Courts</th> <th>Supreme Court</th> </tr> </thead> <tbody> <tr> <td>2010/11</td> <td>13,670</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>13,670</td> </tr> <tr> <td>2011/12</td> <td>217,400</td> <td>89,265</td> <td>153,300</td> <td>3,534</td> <td>932,396</td> <td>485,721</td> <td>1,881,616</td> </tr> <tr> <td>2012/13</td> <td>181,113</td> <td>82,330</td> <td>156,755</td> <td>2,709</td> <td>974,514</td> <td>432,244</td> <td>1,829,665</td> </tr> <tr> <td>2013/14</td> <td>205,113</td> <td>84,503</td> <td>168,755</td> <td>2,763</td> <td>1,051,680</td> <td>458,262</td> <td>1,971,076</td> </tr> <tr> <td>2014/15</td> <td>203,407</td> <td>75,246</td> <td>186,716</td> <td>2,621</td> <td>1,134,577</td> <td>487,700</td> <td>2,090,267</td> </tr> <tr> <td>2015/16</td> <td>280,589</td> <td>128,786</td> <td>217,195</td> <td>2,625</td> <td>1,476,076</td> <td>671,484</td> <td>2,776,755</td> </tr> <tr> <td>2016/17</td> <td>283,252</td> <td>136,584</td> <td>233,432</td> <td>3,035</td> <td>1,518,810</td> <td>681,550</td> <td>2,856,663</td> </tr> <tr> <td></td> <td>1,384,544</td> <td>596,714</td> <td>1,116,153</td> <td>17,287</td> <td>7,088,053</td> <td>3,216,961</td> <td>13,419,712</td> </tr> </tbody> </table> <p><i>Source: Government of Jamaica's Estimates of Expenditure 2010/11 to 2016/17</i></p>								Year	Estimates of Expenditure (\$'000)						Total	CMS	Court of Appeal	Family Courts	Revenue Court	RM Courts	Supreme Court	2010/11	13,670	-	-	-	-	-	13,670	2011/12	217,400	89,265	153,300	3,534	932,396	485,721	1,881,616	2012/13	181,113	82,330	156,755	2,709	974,514	432,244	1,829,665	2013/14	205,113	84,503	168,755	2,763	1,051,680	458,262	1,971,076	2014/15	203,407	75,246	186,716	2,621	1,134,577	487,700	2,090,267	2015/16	280,589	128,786	217,195	2,625	1,476,076	671,484	2,776,755	2016/17	283,252	136,584	233,432	3,035	1,518,810	681,550	2,856,663		1,384,544	596,714	1,116,153	17,287	7,088,053	3,216,961	13,419,712
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ISSUE/CONCERNS
<p>3.2.144 The non-submission or late submission of the Appropriation Accounts not only breaches the FAA Act but it also prevents Parliament from effectively monitoring expenditure from the Consolidated Fund. This also undermines good governance practices as stakeholders are denied relevant information to inform decisions and to hold the Accounting Officer accountable for the use of public funds under his/her stewardship.</p> <p>3.2.145 The CMS’s Accounting Officer has since advised us that a team has been established to bring the Accounts up to date.</p>
Resource Management
<p>Unsupported Expenditure</p> <p>3.2.146 The Court Management Services did not present six payment vouchers representing expenditure amounting to approximately \$13 million for audit examination. We were advised that the vouchers could not be located. Consequently, we were unable to determine whether the expenses were appropriately authorized and represented value for money. Management was advised to take appropriate action to locate and present the outstanding expenditure vouchers and invoices and strengthen the system of internal controls in keeping with the requirements of the Financial Instructions.</p>
<p>Revenue</p> <p><i>Kingston & St. Andrew Parish Court (Civil Division)</i></p> <p>3.2.147 We found that the cashbook, general receipt and lodgement books at the Kingston & St. Andrew Parish Court (Civil Division) were not subjected to regular independent checks as required by the Financial Instructions. We conducted a surprise cash inspection and found excess cash amounting to \$72,640 in the possession of the custodians. The custodians could not account for the excess cash on hand.</p> <p><i>Kingston & St. Andrew Parish Court (Criminal Division)</i></p> <p>3.2.148 During our review at the Kingston & St. Andrew Parish Court (Criminal Division) we found that for the period January 15, 2015 to March 8, 2016, there were 500 warrants of Distringas and Capiasⁱ (D&C) valuing approximately \$14 million that were not executed by the Bailiff. We also noted that 113 warrants of D&C valuing approximately \$3.5 million and issued between April and July of the 2016/2017 financial year also remained unexecuted. The values attached to the warrants of D&C represent potential revenue for the Government and failure to execute them in a timely manner increase the risk of loss. Additionally, any unreasonable delay may also weaken the public trust and confidence in the justice system. The CMS indicated that there continues to be a challenge executing some</p>

ISSUE/CONCERNS
<p>D&Cs because of incorrect addresses given by some sureties, making it difficult for the bailiffs or the police to locate them.</p> <p>3.2.149 The issue of unexecuted D&C has been the subject of a number of previous audit reports. As such, Management should implement effective systems that will improve the turn-around time for execution of the D & C processes. Also, timely investigate all unexecuted warrants of D&C with a view to clearing the outstanding warrants.</p> <p>St. Catherine Parish Court</p> <p>3.2.150 Our review revealed a general breakdown in the controls over cash collected at the St. Catherine Parish Court. The last independent check of the cashbook was made in March 2015 instead of weekly as required by the Financial Instructions. We conducted a surprise cash inspection and found that the custodian had a cash deficit of \$46,930.</p> <p>3.2.151 At the time of our examination receipts amounting to \$197,990 for June and July 2016, were recorded in a spreadsheet instead of the prescribed cashbook and there were unresolved discrepancies amounting to \$29,600.00 on the Affiliation bank account. The breakdown in controls over cash increases the risk of loss of public funds as errors or irregularities may go undetected due to the lack of internal independent checks.</p> <p>3.2.152 The CMS has since advised us that there is an on-going investigation at the St. Catherine Parish Court following a recent fire in the Accounts Unit.</p> <p>3.2.153 The CMS was advised to take the necessary steps to strengthen the system of controls over cash held at the court offices to ensure that all funds collected are promptly lodged in keeping with the Financial Instructions.</p>

Head 30000 Ministry of Foreign Affairs and Foreign Trade Jamaica Consulate General Toronto

ISSUE/CONCERNS
<p>Governance</p>
<p>Inadequate Separation of Duties</p> <p>3.2.154 Despite our concern raised in a previous audit report, the same individual still carries out the Accountancy and Office Management functions. In addition, one of the two officers who opens the mails and records in the Value Book, also prepares the receipts for those funds, which calls for a separation of responsibilities as outlined in the FAA Act Instruction. Absence of appropriate separation of functions in key processes exposes the Mission to the risk of error and irregularities going undetected.</p>

ISSUE/CONCERNS

3.2.155 The Head of Mission should review the adequacy of the separation of functions, and where this is not in accordance with best practice and the Ministry of Finance’s guidelines; allocate the duties as far as practicable to facilitate the necessary checks and balances to enhance the effectiveness of the control environment.

Inadequate Internal Control

3.2.156 The cashbook bore no evidence of internal check. Consequently, posting errors were not detected and corrected prior to the audit. From a sample of thirty (30) transactions examined, 20% were erroneously recorded in the cashbook. In addition, whenever the assigned officer made errors on receipts they were amended, instead of cancelled and new ones issued, contrary to the FAA Act Instruction 5.3.9 (i)

3.2.157 In addition, the Petty Cash was not adequately safeguarded because the Accountant did not have sole access to the vault and the pan did not have a key. Reconciliation of the cash in hand and un-recouped vouchers disclosed that those vouchers amounting to CDN\$172.56, were dated from as far back as October 9, 2013 to September 2016.

3.2.158 Further investigation revealed that the previous Accountant did not use the petty cash, but his own funds and claimed reimbursement of the expenditure. This occurred because there was no surprise cash count or internal check of the petty cash imprest, to ensure compliance with the accountancy procedures.

3.2.159 Failure to implement and enforce proper controls could facilitate errors, and irregularities, remaining undetected. Analysis of the receipts would not give a true representation of the various revenue streams, and amendments to receipts raises a red flag and presents uncertainty as to the accuracy of the amounts collected.

3.2.160 The Head of Mission was advised to implement appropriate systems of internal control to ensure compliance with the regulations and the accuracy and reliability of the accounting records.

Unpresented Emergency Certificates

3.2.161 The Mission maintained a register for the stock of Emergency Certificates received from the Ministry of Foreign Affairs and Foreign Trade (MFAFT). However, the Counsellor did not present two Emergency Certificates for audit inspection. This indicates weaknesses in the records management system. The Head of Mission should ensure that the Emergency Certificates are located and presented for audit inspection.

ISSUE/CONCERNS
Resource Management
<p>Inadequate Control over Assets</p> <p>3.2.162 Contrary to the Procedures Manual for the Control of Government Furniture, Office Machines and Equipment, the Mission’s inventory record only comprised a list of the furniture and equipment placed in each location. In addition, the identification numbers placed on the assets did not conform to the prescribed format. Likewise, gifts were not so labelled or inventoried to distinguish them from the Consulate’s assets.</p> <p>3.2.163 Further, the Mission did not maintain the requisite Office Machines and Equipment Record, although repairs and servicing expenditure of CDN \$41,871.38 was incurred during the period under review.</p> <p>3.2.164 Failure to maintain up-to-date inventory records could hinder the Mission’s ability to safeguard and account for the assets.</p> <p>3.2.165 The Head of Mission should ensure that appropriate inventory records are maintained up-to-date to comply with the established procedures.</p>
Procurement and Contract Management
<p>Payments without Valid Contracts</p> <p>3.2.166 The Consulate-General did not have valid contracts in place to support payments totalling CDN \$292,999.04 made to six suppliers for rental accommodation for the official residence, servicing for the elevator, disabled lift, heating and air-condition system, and cleaning services. The absence of a valid contract could expose the Mission to risks such as security of tenure, price increases and unsatisfactory performance. The Consulate should ensure valid contracts are in place to protect the Mission’s interest.</p>

Head 40000 Ministry of Labour and Social Security

ISSUE/CONCERNS
Governance
<p>Regulatory breach in submission of Appropriation Accounts</p> <p>3.2.167 The MLSS’s Accounting Officer did not submit 12 Appropriation Accounts representing accumulated budgetary allocation of approximately \$40.96 billion for the financial years 2011/2012 to 2016/2017 as required by the FAA Act. The non-submission of the Appropriation Accounts not only breaches the FAA Act but it also prevents Parliament</p>

ISSUE/CONCERNS

from effectively monitoring expenditure from the Consolidated Fund. This also undermines good governance practices as stakeholders are denied relevant information to inform decisions and to hold the Accounting Officer accountable for the use of public funds under his/her stewardship.

Table 17 –Appropriations Accounts not submitted (Accumulated)

Period not yet submitted for Auditing	Recurrent (\$000)	Capital A (\$000)	Capital B (\$000)	Approved Budget (\$000)
2011/12	1,968,181	No allocation	3,900,332	5,868,513
2012/13	2,277,788	650,000	3,742,605	6,670,393
2013/14	2,414,695	No allocation	4,696,053	7,110,748
2015/16	813,000	No allocation	6,225,744	7,038,744
2016/17	2,719,406	No allocation	6,036,251	8,755,657
Total	10,193,070	650,000	30,117,418	35,444,055

Capital B Projects Programme of Advancement Through Health and Education (PATH)

Non-compliance with Tax Guidelines Resulting in Salary Overpayments

3.2.168 PATH did not deduct the requisite PAYE, Education Tax and National Housing Trust from the periodic gratuity payments made to 11 officers. Taxes amounting to \$1.31 million were not deducted and remitted to Tax Administration Jamaica. Consequently, the officers were overpaid this amount. Overpayments are potential loss of public funds and if unrecovered, the responsible officers may be required to make good the full amount of the overpayment.

Canadian Farm and Factory Workers Programme

Inadequate Control over the write-off of Debts

3.2.169 Jamaican Liaison Services (JLS) did not have in place approved policies and procedures to guide the write-off and collection of debts. Additionally, there was inadequate segregation of duties as the Deputy Chief Liaison Officer (DCLO), who has supervisory responsibility for the collection of “Operational Cess”, inappropriately approved debt write-off of CD\$14,852 owed by Growers since 2014, in contravention of the Ministry of Finance guidelines. These weaknesses undermine the transparency and accountability of the process and could allow inconsistency in the management of debts.

Outstanding Matters from 2016 Audit Report

Draft Budget still not approved

3.2.170 We observed that JLS submitted the budget to the Management Committee for review and approval; however, we found no evidence that this was done. The budget process not only provides a mechanism to assess management’s performance over the

ISSUE/CONCERNS
<p>stewardship of public funds but it also provides an opportunity for the Management Committee to determine whether adequate resources are made available to fulfill the Programme’s policy objectives.</p> <p>Weak Governance Practices</p> <p>3.2.171 Management did not address the weak governance arrangement highlighted in previous reports. We noted that the Permanent Secretary/Chairman granted approval for the renewal of contracts for two officers and the payment of \$800.00 per month for accommodation allowance to another officer. However, we found no evidence that Board/Committee members were consulted prior to approval.</p> <p>3.2.172 The failure to address this issue demonstrates a lack of commitment to good governance.</p> <p>3.2.173 Management should implement appropriate systems of internal control to reduce the risk exposure associated with debt, in compliance with the Government guidelines. The Management Committee is advised to dialogue with the Office of the Cabinet to address the weaknesses and develop appropriate terms of reference, clearly defining their roles and responsibilities as a demonstration of its commitment to good governance.</p> <p>3.2.174 JLS has since indicated that this matter will be referred to the Management Committee for corrective action.</p>
Project Management
<p>Programme of Advancement Through Health and Education (PATH)</p> <p>3.2.175 During the period under review, we conducted audits of the financial transactions and accounting records of four PATH Projects in accordance with the terms of the loan agreement. These Projects were funded jointly by GoJ, loans of USD\$120 Million and grant funding of USD\$2.9 Million. The audits conducted revealed a common theme of delay in the implementation of project activities caused by changes to policy and scope, prolonged delay in procuring goods and services and inability to engage persons with the requisite technical skills. These deficiencies resulted in the donor granting extension on two of the projects and cost overrun on another. The details for each project are as follows:</p> <p>Social Protection Project (SPP) 2 Loan No. 8329-JM</p> <p>3.2.176 The Social Protection Project (SPP) 2 is a continuation of the Social Protection Project (SPP), which ended in March 2015. The objective of the Project is to support the Government of Jamaica (GOJ) to further strengthen its social protection system. The Project is co-financed by the Government of Jamaica (GOJ) and International Bank for Reconstruction and Development (IBRD) / World Bank. The World Bank will provide loan</p>

ISSUE/CONCERNS
<p>funding of US\$40 million over a four-year period from March 12, 2014 to March 30, 2018, while GOJ will contribute approximately US \$74.133 million.</p> <p>Delay in implementing Project activities</p> <p>3.2.177 Up to the time of reporting, PATH had still not upgraded the Beneficiary Management Information System (BMIS) that was the subject of previous audit reports. The upgrade of the BMIS was to integrate the Beneficiary Management Information System, Steps to Work and Case Management processes to interact effectively and efficiently in the monitoring of beneficiaries.</p> <p>3.2.178 PATH’s failure to enhance the BMIS will prevent the Ministry from tracking the progress of beneficiaries who have been trained under the Steps to Work program for permanent employment and to facilitate the successful implementation of the Graduation Strategy.</p> <p>Un-cleared Advances</p> <p>3.2.179 Our review revealed that PATH did not clear advances in a timely manner to ensure that expenditure was properly brought to account. This was demonstrated by un-cleared advances at March 31, 2017 totalling JM\$211.02 million (US\$1,996,883); with ninety two per cent outstanding in excess of 12 months. Despite requests, PATH did not provide evidence to inform the audit that the goods or services were provided for the sums advanced or the reasons why the amount were not cleared. Therefore, we could not determine whether the amounts advanced were used for the intended purpose.</p> <p>3.2.180 Subsequent to our report MLSS advised that an Officer was contracted effective October 1, 2017, with the responsibility for clearing the advance accounts.</p>
<p>Integrated Social Protection and Labour (ISPL) Programme Loan Contract No. 2889/OC-JA</p> <p>3.2.181 The Integrated Social Protection and Labour (ISPL) Programme is funded by a US\$30.0 million loan from the Inter-American Development Bank (IDB) and counterpart funding provided by the Government of Jamaica. The loan of US\$30.0 million should be disbursed over a four-year period from December 13, 2012, when the agreement was signed to December 2016. A project extension to December 2017 has been granted by the IDB.</p> <p>3.2.182 The objective of the Project is to support the Government of Jamaica (GOJ) efforts to improve human capital and labour market outcomes of the poor by enhancing the efficiency and effectiveness of key social protection programmes.</p>

ISSUE/CONCERNS
<p>US\$517,049 overspent on project activities</p> <p>3.2.183 PATH budgeted to spend US\$766,645 on three categories of activities; namely:</p> <ul style="list-style-type: none"> • On the job-training program • School feeding policy • Organization Design • Program management <p>3.2.184 However, the actual expenditure to date amounted to US\$1.283 Million, resulting in the excess of US\$517,049. We noted that contrary to the Loan Agreement, PATH did not receive prior approval to reallocate the excess amount spent until November 2017, eight months after the actual transactions.</p>
<p>Integrated Support to Jamaica’s Social Protection Strategy (ISJSPS) Project Loan Contract No. 3565/OC-JA</p> <p>3.2.185 The Integrated Support to Jamaica’s Social Protection Strategy (ISJSPS) Project is funded by a US\$50.0 million loan from the Inter-American Development Bank (IDB) and counterpart funding provided by the Government of Jamaica. The loan of US\$50.0 million should be disbursed over a four-year period from November 25, 2015, when the agreement was signed.</p> <p>3.2.186 The objective of the Project is to support consumption, protect and promote the human capital accumulation of the Programme of Advancement Through Health and Education (PATH) beneficiaries, and strengthen the overall capacity of the Ministry of Labour and Social Security (MLSS) to improve quality and access to the network of social services provided by the Ministry to the poor and vulnerable population.</p> <p>Slow Implementation of Project activities</p> <p>3.2.187 Up to the time of auditing, July 2017, seven of eight activities that were scheduled to commence in June 2016 had not started. Consequently, the Project and beneficiaries were not able to fully benefit from the J\$1.60 billion earmarked for the financial year ended March 31, 2017. We noted that this Project is linked to the Integrated Social Protection and Labour Programme (ISPL 2889) and as such, the slow implementation of the ISPL 2889 affected the commencement of this Project.</p>
<p>Jamaica Social and Economic Inclusion of Persons with Disabilities Project Grant NO. TF 014258</p> <p>3.2.188 The Jamaica Social and Economic Inclusion of Persons with Disabilities (JSEIPD) Project is funded through a grant by the World Bank (IBRD). The grant of US\$2,897,690 should be disbursed by the World Bank over a four-year period from August 14, 2013, when the agreement was signed.</p>

ISSUE/CONCERNS
<p>3.2.189 The objective of the Project is to assist the Government of Jamaica (GOJ) to increase the employability and skills development of poor persons with disabilities, and improve the service delivery of special education needs to poor children with disabilities.</p> <p>Inadequate oversight of project implementation</p> <p>3.2.190 The Project Steering Committee did not meet on a bi-monthly basis as stipulated by the Grant Agreement's terms of reference. Evidence presented by PATH indicated that the Steering Committee met once for the financial year. The Steering Committee was established to provide guidance and oversight to the implementation of the Grant. Therefore, we could not determine whether the project benefited from the requisite expertise that the varying stakeholders would have contributed through the period and how governance and other related project issues were actioned.</p> <p>3.2.191 The Ministry indicated that oversight was provided to this project through internal management meetings chaired by the CTD of Social Security. This arrangement does not meet the governance requirement stipulated in the grant agreement.</p>

Head 41000 Ministry of Education 2013/2014

ISSUE/CONCERNS
Resource Management
<p>Unpresented Bank Statements</p> <p>3.2.192 The Trial Balance showed interest income of \$2,325,631 earned on the Recurrent bank account. However, we were unable to corroborate the accuracy of the amount because the related bank statements could not be located. Nevertheless, interest income is not part of the approved Appropriations in Aid; therefore, it should be remitted to the Consolidated Fund. Any expenditure from those receipts would be unbudgeted and unauthorized, and contravenes the Appropriation Act.</p>

Head 41000 Ministry of Education, Youth and Information Early Childhood Development Project: GOJ/IBRD Loan Agreement No. 8334-JM

ISSUE/CONCERNS
<p>Resource Management</p> <p>Unidentified Deposits</p> <p>3.2.193 The financial statements disclosed unidentified deposits of approximately \$15 million. Management asserted that the amount might relate to stipend paid to practitioners who separated from the Early Childhood Institutions (ECIs). However, the Commission did not provide pertinent documentation to support this assertion. Consequently, this limited verification of the deposits.</p> <p>3.2.194 Management should redouble its efforts to obtain the necessary supporting documentation to resolve the unidentified deposits.</p> <p>Overpayment of Subsidy</p> <p>3.2.195 For the year under review, the records showed overpayments of \$2.1 million in subsidies to practitioners that separated from the Early Childhood Institutions due to the non-communication of separations in a timely manner.</p> <p>3.2.196 At March 31, 2017, overpayments of \$26.1 million remained outstanding from as far back as 2011. However, management did not provide evidence that they assessed the collectability of the amounts in keeping with the accounting standards and Ministry of Finance Circular concerning the write-off of losses.</p> <p>3.2.197 Management advised that the Ministry of Education agreed to recover the amounts from Practitioners who are still employed in the public service.</p> <p>3.2.198 Management should also undertake a comprehensive review of the receivables balances to determine whether the amounts are collectible.</p>
<p>Project Management</p> <p>3.2.199 During the period under review, there was general compliance with the clauses outlined in the loan agreement. Additionally, we examined the Special Bank account and found it to be fairly stated. The balance on the account at 31st March 2017 was US\$11,257.20.</p>

Head 42000 Ministry of Health: National Council on Drug Abuse

ISSUE/CONCERNS
Resource Management
<p>Differences between the Fixed Asset Register and General Ledger</p> <p>3.2.200 There were misstatements of \$1,920,930.47 in the Council's Financial Statements. The costs recorded in the Fixed Assets Register (FAR) differed from the amounts included in the General Ledger. We were therefore unable to place any reliance on the records that supported the Financial Statements.</p> <p>Unreconciled amounts</p> <p>3.2.201 We identified variances of \$3,064,247.62 and \$136,694.82 between staff costs in the general ledger and payroll register for the Recurrent and Capital accounts, respectively. The audit opinion issued on the financial statements for the year ended March 31st, 2010 was qualified as a consequence of this.</p> <p>3.2.202 Management should implement control procedures to ensure that the fixed assets register is promptly updated with all pertinent information, such as acquisitions, disposals and depreciation expense. In addition, we recommended that management implement a system of regular reconciliation of the General Ledger and Fixed Asset Register to gain assurance that all transactions have been properly recorded.</p> <p>3.2.203 In addition, we advised management that an efficient system of internal check should be implemented so that errors detected can be corrected and to prevent similar occurrences. This should include independent reviews of the payroll information and the postings made to the General Ledger.</p>

Head 42000 Ministry of Health: Pharmacy Council of Jamaica

ISSUE/CONCERNS
Resource Management
<p>3.2.204 The audit of the Pharmacy Council of Jamaica (PCOJ) revealed that there was need for PCOJ to strengthen its systems of controls to ensure that its accounts and financial records are accurate and reliable. Our audit review identified a number of misstatements, which contributed to inaccurate reports.</p>

Fixed Assets Register not maintained

3.2.205 Since 2013, the Council has not maintained the requisite Fixed Assets Register to account for the assets acquired. This breakdown of control increased the risk of misappropriation of assets going undetected.

Unreconciled bank account

3.2.206 Up to September 2017, the Fees Bank Account was not properly reconciled. We noted a reconciling item, which moved from \$855,329.15 in financial year 2008/2009 to \$2.24 million in the current period. Moreover, the bank balance was not reconciled to the General Ledger balance and the reconciliation presented bore no evidence of independent reviews. The reconciling item represents a potential loss which should be investigated to have it resolved. In addition, management should implement effective controls over the preparation of the bank reconciliation statement.

Head 42034 Bellevue Hospital

ISSUE/CONCERNS
Governance
<p>Overpayment of Travel Allowance</p> <p>3.2.207 The Hospital still did not provide the Ministry of Finance’s approval for travelling allowance related to twelve (12) posts. We noted that the Hospital requested copies of the approvals from the Ministry of Finance in January 2016. However, we did not see a response on file.</p>
Resource Management
<p>Inadequate Management of Stores</p> <p>3.2.208 There is need for improvement in the management of the store, as bin cards were not updated with goods purchased totalling \$1,393,015.02 and \$9,715,457.29, for financial years 2014/2015 and 2015/2106, respectively. In addition, the dietician did not always sign for food items received, and the duplicate copy of some Issue Sheets were amended. Further, we detected significant variances between the physical count and the recorded balance for some items.</p> <p>3.2.209 We conducted a physical inspection of the assets and stores at the Kenneth Royes Rehabilitation Centre (KRCC). We found that the store was in a deplorable condition and there is need for improvement in the maintenance of the inventory records</p>

ISSUE/CONCERNS
<p>3.2.210 Without robust internal controls, this might facilitate fraud, pilferage, and unauthorized use. Failure to comply with the Government’s established controls which result in a loss, the negligent officer may be liable for surcharge in accordance with Section 20 (b) of the FAA Act.</p> <p>3.2.211 Management reported that infrastructural improvements have been made to the KRRC since our audit.</p> <p>Inadequate Control over Bank Account</p> <p>3.2.212 Although mentioned in previous audit reports, reconciliation of the Salaries bank account was more than sixty months in arrears. In addition, the bank statement at November 2012 showed debit and credit memo adjustments of 32.77 million and \$26.9 million, respectively, which were not included in the reconciliation.</p>

Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries: Jamaica 4-H Clubs

ISSUE/CONCERNS
<p>Governance</p> <p>3.2.213 Contrary to good governance practices and FAA Act Regulations 142 and 144, the Jamaica 4-H Clubs did not have in place an internal audit function and risk management framework. This weakens the control environment, and may expose the entity to the risks of fraud and error, and non-compliance with regulations that could result in significant loss.</p> <p>3.2.214 Management should implement an internal audit function and risk management process to manage and mitigate risk exposures.</p>
<p>Resource Management</p> <p>3.2.215 Management did not assign an independent individual to perform physical inventory counts during the year and at the year-end to confirm the accuracy of the records and existence of the stock. Failure to implement adequate inventory controls could facilitate unauthorized use and misappropriation. This might also result in material misstatement in the financial statement.</p>

Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF): Antidumping and Subsidies Commission (ADSC)

ISSUE/CONCERNS
Resource Management
<p>3.2.216 Our audit of the financial transactions and accounting records of the ADSC for the period under review disclosed that there was need for improvement in the internal control systems and compliance with GoJ guidelines to ensure the accuracy and reliability of financial information.</p> <p>3.2.217 We recommended that ADSC strengthen its systems of internal controls to ensure the accuracy and reliability of its financial information that will influence strategic decisions.</p> <p>3.2.218 Management has committed to adhering to the Government's subvention recognition policy and will desist from recording unallocated subvention at the end of the financial year.</p>

Head 50000 Ministry of Industry, Commerce, Agriculture and Fisheries: Fisheries Management and Development Fund (FMDF)

ISSUE/CONCERNS
Governance
<p>Unpresented Board Minutes</p> <p>3.2.219 The FMDF did not provide Board meeting minutes for the period under review. Consequently, we were unable to ascertain whether the Directors fulfilled their fiduciary responsibilities. Failure to maintain meeting minutes weakens the control environment.</p> <p>Absence of Project Management Reports</p> <p>3.2.220 In addition, FMDF did not prepare project management monitoring reports, outlining the related costs, achievements, and status of the projects. We could not determine how management and the Board satisfied themselves that the Fund's objectives were being accomplished, and that the resources were utilized in an efficient and effective manner.</p>

ISSUE/CONCERNS
<p>3.2.221 SOP should be approved by the Board to comply with Section 10(2) of the Conch Levy Export Act 2009. Also, management should ensure that projects are evaluated prior to implementation in keeping with project management best practices.</p> <p>3.2.222 The FMDF Board should ensure that the meeting minutes are prepared and filed in a timely manner.</p>
Project Management
<p>3.2.223 The audit of the accounting records and financial transactions of the Agricultural Competitiveness Programme for the financial year 2016/2017 disclosed general compliance with the terms and conditions stipulated in the loan agreement. The Programme achieved seventeen targets out of twenty-one, scheduled under Components 1, 2 & 3 for financial year 2016/2017. The remaining targets were rescheduled for financial year 2017/2018.</p> <p>3.2.224 At 31st March 2017, approximately US\$2.4 million (16%) of the total loan funds was unspent.</p>
<p>Inadequate Control over Project Funds</p> <p>3.2.225 Despite being an issue in the previous audit, the Ministry still comingled FMDF monies with other funds in the Fisheries Division - Deposit Bank Account. Consequently, it was difficult to track the inflows, outflows and determine the Fund balance, since the control record was not adequately maintained. Further, in September 2016, floodwaters damaged all the records.</p>

Head 56000 Ministry of Science Energy and Technology (MSET)

ISSUE/CONCERNS
Governance
<p>Unauthorized reallocation of funds</p> <p>3.2.226 We found no evidence that the Ministry sought the prior approval of the MoFPS to reallocate \$9.4 million to Object 21 - <i>Compensation of Employees</i> (Recurrent Head), thereby breaching the Appropriation Act and the MoFPS policy on Virement. The Ministry advised that the need for virement was due to the payment of salary arrears and gratuity, consequent on the termination of contracts due to the change of Government.</p>

ISSUE/CONCERNS
<p>3.2.227 We encouraged the Ministry to employ proper cash management and ensure the timely submission of information to the MoFPS for prior approval as appropriate.</p>
<p>Resource Management</p>
<p>Outstanding Advances not cleared in a timely manner.</p> <p>3.2.228 At end FY2015/16, MSET had un-cleared advances totaling \$338.1 million, relating to Recurrent Treasury Deposits (\$335.11 million) and Capital 'B' Treasury Deposits (\$0.27 million), and MoFPS Contingencies Fund Recurrent advances (\$2.70 million). The advances for Recurrent Treasury Deposits and MoFPS Contingencies Fund Recurrent were granted in April 2014 and January 2015, respectively. However, as at September 30, 2017, \$303 million of these advances remained un-cleared, arising from a clearance of only \$35.11 million for Recurrent Treasury Deposit advances. The Ministry's failure to clear these advances+ in a timely manner is a breach of section 14 A (2) of the Financial Administration and Audit Act, and have the effect of understating reported expenditure.</p> <p>3.2.229 Management was advised to take the necessary steps to clear the outstanding advances and implement control mechanism that will ensure clearance within the stipulated period.</p>

Head 72000 Ministry of Local Government and Community Development

ISSUE/CONCERNS
<p>Governance</p>
<p>Non-submission of Appropriation Accounts</p> <p>3.2.230 The requirement of the Legislation for timely submission of Appropriation Accounts has not been met by MLGCD for the period 2016/2017. Up to the time of reporting, Appropriation accounts for 2016/2017 with approved budget of \$11.99 billion had not been submitted. The MLGCD attributed this breach to a system error on its accountancy software FinMan and is awaiting resolution by the MoFPS . Failure to submit the statement within the statutory time limits represents a breach and prevents stakeholders assessment of the Accounting Officer stewardship over appropriated funds. The Accounting Officer was urged to take the necessary steps to ensure that the outstanding Appropriation Account is submitted in keeping with the requirements of the FAA Act.</p>
<p>Resource Management</p>

ISSUE/CONCERNS

Street Light Bill Arrears

3.2.231 For the period under review the Ministry of Local Government and Community Development paid \$1.1 billion to the Jamaica Public Service (JPS) for street lighting without establishing an independent verifiable mechanism.

3.2.232 Management also indicated that JPS failed to provide a detailed breakdown of the type and number of street lights and the related charge for dusk to dawn per light. Instead, the officers from the Unit paid partial amounts from an aggregated summary of the bills presented directly from JPS, without carrying out any due diligence.

3.2.233 Therefore, in keeping with Section 5 of the FAA Act Instructions we were unable to determine how the MLGCD determined that the payments made were for services that were duly received and the prices charged were either according to contracts or approved rates.

3.2.234 ³The JPS indicated that the Ministry owed \$5.5 billion as at March 31, 2017, for street lighting. This represents a 49 per cent increase for the financial year when compared to the arrears balance of \$3.7 billion as at March 31, 2016. JPS further indicated that the arrears ballooned to \$6.5 billion as at October 31, 2017. We noted that the Ministry was charged interest of \$24.5 million in October 2017, which JPS indicated represented 0.41 per cent on the arrears, exclusive of GCT and miscellaneous charges as at October 2017.

3.2.235 The Ministry responded to say that the payment of street light bills is made from the Property taxes, and is just one of the charges against the monthly property tax collections. Property taxes are also used to cover administrative expenses for the local authorities, Parks and Beautification, Public Water (Stand Pipes) and Minor Water Supplies.

3.2.236 Management also asserted that Property Taxes are also used to support the budget of the National Solid Waste Management Authority (NSWMA) for public cleansing and starting this financial year (2017/2018) the entire budget for the NSWMA is now borne from the proceeds of property taxes; and that the Property tax collections received are not sufficient to cover all the expenditure. Discussions continue to take place regarding the servicing of the street light debt.

³Confirmation requested and received from JPS dated December 5, 2017

Head 72000 Ministry of Local Government Social Development Commission (SDC)

ISSUE/CONCERNS
<p>Resource Management</p> <p>3.2.237 SDC did not update its Fixed Asset Register to reflect 11 of the 15 properties it owned. Consequently, the carrying amount for Property, Plant and Equipment reported in the Commission’s Statement of Financial Position was materially understated and could impact the reliability of the decisions making process. Additionally, the non-recording of assets breached the Financial Regulations and expose the Commission’s Properties to misuse or misappropriation.</p> <p>3.2.238 Management indicated that the Register was work-in-progress and is to be updated in the future.</p> <p>3.2.239 The Commission subsequently provided evidence regarding arrangements made in October 2017, to have properties valued.</p>

Head 72000 Ministry of Local Government Parish Council

ISSUE/CONCERNS
<p>Overcoming the backlog of Financial Audits at the Parish Councils</p> <p>3.2.240 During the year, we devised a strategy to place a significant dent in the arrears of Parish Council financial statements audits. We faced great challenges in auditing the dated records, with no supporting schedules or source records in most instances. In some instances, the existing Parish Council staff had little or no knowledge on the statements to address our concerns. The challenges were also exacerbated considering the Human Resource constraints at the Councils.</p> <p>3.2.241 Consequently, we arranged a number of meetings with the Heads of the Councils and the key accounting personnel to forge closer working relationships, plan a way forward and emphasize the importance of overcoming the backlog. The Portfolio Ministry also supported us in our thrust to overcome the backlog, with their position of influence in persuading the Councils to comply with our requests. Conversely, we reduced our travelling expenditure by requesting that majority of the source documentation be forwarded to our office, therefore reducing the time spent out in the field.</p>

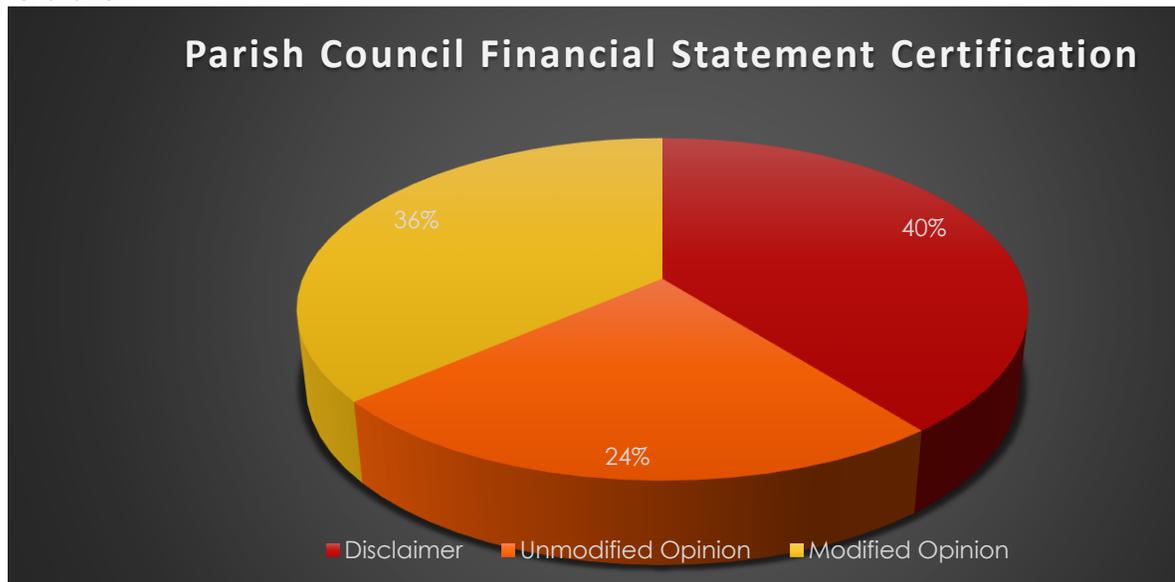
ISSUE/CONCERNS

3.2.242 These efforts yielded some results and I issued audit opinions for 33 (61 per cent) out of the 54 statements in arrears at the beginning of the year. However, for majority of the statements I issued either a modified or a ‘Disclaimer of an Opinion’.

Disclaimer of Opinion on Parish Council Financial Statements

3.2.243 A disclaimer of opinion is issued when there is a limitation of audit scope, which is material and pervasive to the statements. This opinion was issued in thirteen instances (Table 18) arising from unsupported revenue and expenditure in aggregate of \$3.59 billion and \$3.61 billion, respectively. In these cases, the Councils did not provide us with the general ledger, trial balance, supporting schedules and/or source records, consequently we could not verify the amounts disclosed in the financial statements. For the remaining 20 statements, modified opinions were issued on 8 occasions (Table 19), while the other 12 opinions were unmodified. Subsequent to our audit, the Hanover Parish Council, which received six disclaimers of opinion, indicated that it is currently pursuing the strengthening of the Accounts Department through training, retraining, recruitment and that it will be seeking outside assistance to expedite and resolve the issues.

Chart 18



ISSUE/CONCERNS

Table 18 - Disclaimer issued for Parish Council Financial Statements

Parish Council	Financial Year	Audit Report	Unsupported Revenue	Unsupported Expenditure
St. Ann	2007/08	Disclaimer	-	-
St. Ann	2008/09	Disclaimer	-	-
Portland	2009/10	Disclaimer	395,733,976	384,716,504
St. Mary	2007/08	Disclaimer	-	-
St. Mary	2008/09	Disclaimer	320,730,320	356,322,790
St. Mary	2009/10	Disclaimer	447,464,401	461,260,387
St. Mary	2010/11	Disclaimer	448,993,235	425,570,981
Hanover	2009/10	Disclaimer	250,416,662	265,430,603
Hanover	2010/11	Disclaimer	263,297,643	247,203,777
Hanover	2011/12	Disclaimer	334,299,179	343,419,287
Hanover	2012/13	Disclaimer	311,399,997	299,307,563
Hanover	2013/14	Disclaimer	418,565,167	416,524,141
Hanover	2014/15	Disclaimer	396,603,991	405,407,267
			3,587,504,571	3,605,163,300

Table 19 - Modified Audit Opinions for Parish Council Financial Statements

Parish Council	Financial Year	Basis of Qualification
St. Elizabeth	2009/10	Unsupported Trade Payables and Accruals totalling \$30.7 million and Trade and Other Receivables totalling \$18.9 million.
St. Elizabeth	2010/11	Unsupported Trade Payables and Accruals totalling \$9.45 million and Trade and Other Receivables totalling \$17.89 million. Additionally, the Parish Council did not account for two accounts with balances totalling \$7.33 million, which came to our attention through our bank confirmation ⁴ exercise.
St. Elizabeth	2011/12	Unsupported Trade Payables and Accruals of \$146.24 million, Trade and Other Receivables of \$10.24 million and bank balances totalling \$34.1 million. Additionally, the Parish Council did not account for two accounts totalling \$5.7 million, which came to our attention through our bank confirmation exercise.

⁴ A bank confirmation is an independent exercise used by Auditors to test completeness and accuracy of bank accounts in the financial statements. Confirmations are sent directly to the Auditor from a bank or other financial institution.

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St. Elizabeth	2012/13	Unsupported Trade Payables and Accruals of \$143.5 million, Trade and Other Receivables of \$87.8 million and an aggregate bank overdraft balance of \$2.44 million. Additionally, the Parish Council did not account for three accounts totalling \$33.5 million, which came to our attention through our bank confirmation exercise.
Manchester	2010/11	No evidence to substantiate bank balances of \$3.33 million.
Portmore	2006/07	Source documents in the form of receipt books were not presented to substantiate revenue totaling \$21.7 million. Additionally, there was no evidence to substantiate an investment balance of \$1.5 million.
Trelawny	2012/13	A reconciliation statement to support a balance of \$8.45 million on the confirmation for one bank account was not provided, while the financial statements reflected an overdraft balance of \$600,012 for the same account.
Trelawny	2014/15	Supporting documents were not presented to substantiate five journals totaling \$90.6 million passed to the Parochial Revenue Fund in the financial statements. We also noted differences totalling \$21.3 million between the Parish Council's books and the financial statements for two expenditure accounts. Additionally, the Parish Council did not account for two accounts totalling \$7.23 million, which came to our attention through our bank confirmation exercise.

APPENDICES

Appendix 1 Detailed Training Programmes Executed

AUDIT TRAINING PROGRAMMES	PERIOD	NO. OF PERSONS TRAINED
1. NAO Performance and Compliance Audit Training	May 1,2017 - October 31,2017	90
2. Audit of State Owned Enterprises -(ITEC) Programme (India)	October 23 – November 17,2017	1
3. Auditing in the IT Environment -(ITEC) Programme (India)	September 11,2017- October 6,2017	1
4. Government Level 2 Module 4	September 4 -8,2017	2
5. NAO CAATs & Error Evaluation Training	August 21,2017	25
6. IDI –SAI Engaging the Stakeholders	August 7-18,2017	2
7. IDI –SAI Performance Audit of preparedness for Implementation of SDGS -ELearning	July – August 2017	4
8. Diploma In Auditing Fundamentals Level 1 – Module 2	June 26,2017 – July 4,2017	3
9. Government Accounting Level 2 Module 3	June 5 -9,2017	2
10. IDI- SAI Fighting Corruption – eLearning	May – June 2017	5
11. Government Accounting Level 1 Module 2	May 29- June 2,2017	1
12. Debt Sustainability Analysis (IMF Institute for Capacity Development)	April 3,2017- June 30,2017	1
13. CaseWare Working Papers –Audit Training	March 23- 24,2017 & March 27-28,2017 & March 27-28,2017	38
14. Government Accounting Level2 Module 2	March 13-20,2017	2
15. Diploma In Auditing Fundamentals – Level 1 Module 1	March 13- 17,2017	4
16. Government Accounting Level1 Module 3	February 20 – 27,2017	1
17. Government Accounting Level 1 Module 2	February 13-20,2017	2
18. International Financial Reporting Standards (IFRS)	February 3-4 ,2017	8
19. Government Accounting Level 2 Module 1	January 16- 23,2017	2

20. CoWater International Information Technology (IT) Audit Training	October 31,2016 - April 20,2017	90
21. Government Accounting Level 1 Module 5	November 7-14,2016	2

Non-Audit Training Programmes	Period	No. of Persons Trained
1. Installation, Storage and Compute with Windows Server 2016	October 30,2017- November 3,2017	1
2. Diploma In Auditing Fundamentals Level 1 – Module 2	October 30 – November 7,2017	1
3. Inventory Management for Administrators	October 5-19,2017	1
4. Strategic and Corporate Planning	September 12 -29,2017	1
5. CompTIA Cybersecurity Analyst	August 14 – 18,2017	1
6. Budget Planning and Management Systems (BPMS)	June 30,2017	2
7. Public Procurement Basic Training	March 24,2017	1
8. Industrial Relations	March 29- 30 ,2017	2
9. Microsoft Excel 2013	March – May 2017	3

Appendix 2 - Financial Statements for Statutory Bodies and Executive Agencies that are Work-In-Progress

No	Agency	Agency Type	Audit Type	STATUS	Remarks
1	Capital Development Fund 2006/2007	Fund	FS	WIP*	With Ministry of Finance for signature
2	Capital Development Fund 2007/2008	Fund	FS	WIP*	With Ministry of Finance for signature
3	Capital Development Fund 2008/2009	Fund	FS	WIP*	With Ministry of Finance for signature
4	Capital Development Fund 2009/2010	Fund	FS	WIP*	With Ministry of Finance for signature
5	Capital Development Fund 2010/2011	Fund	FS	WIP*	With Ministry of Finance for signature
6	Capital Development Fund 2011/2012	Fund	FS	WIP*	With Ministry of Finance for signature
7	Capital Development Fund 2012/2013	Fund	FS	WIP*	With Ministry of Finance for signature
8	Capital Development Fund 2013/2014	Fund	FS	WIP*	With Ministry of Finance for signature
9	Capital Development Fund 2014/2015	Fund	FS	WIP	Awaiting information from Component Auditors
10	Capital Development Fund 2015/2016	Fund	FS	WIP	Awaiting information from Component Auditors
11	Capital Development Fund 2016/2017	Fund	FS	WIP	Awaiting information from Component Auditors
12	Council of Community College 2012/2013	Statutory Body	FS	WIP	At review stage
13	Fair Trading Commission 2014/15	Statutory Body	FS	WIP	At review stage
14	Financial Investigations Division 2015/16	Statutory Body	FS	WIP	Audit still in progress
15	Forestry Department 2013/14	Executive Agency	FS	WIP	Returned for signature
16	Jamaica Customs 2013/14	Executive Agency	FS	WIP	At review stage
17	Jamaica Customs 2014/15	Executive Agency	FS	WIP	Audit still in progress
18	MIND 2014/15	Executive Agency	FS	WIP	For certification
19	MIND 2015/16	Executive Agency	FS	WIP	Audit still in progress
20	National Council on Education 2015/16	Statutory Body	FS	WIP	Returned for signature
21	National Insurance Scheme 2013/14	Statutory Body	FS	WIP	Audit still in progress
22	National Insurance Scheme 2014/15	Statutory Body	FS	WIP	Audit still in progress
23	National Youth Services 2012/13	Statutory Body	FS	WIP	At review stage
24	National Land Agency 2008/09	Executive Agency	FS	WIP	At review stage
25	National Land Agency 2009/10	Executive Agency	FS	WIP	At review stage
26	National Land Agency 2010/11	Executive Agency	FS	WIP	At review stage
27	Passport Immigration and Citizenship Agency 2011/12	Executive Agency	FS	WIP	At review stage
28	Jamaica Information Service 2016/2017	Executive Agency	FS	WIP	For certification

29	Pesticides Control Authority 2015/2016	Statutory Body	FS	WIP	At review stage
30	INDECOM -Project 2016/17	Project	FS	WIP	At review stage
31	INDECOM -App Account 14/15	Statutory Body	APP	WIP	At review stage
32	INDECOM -App Account 15/16	Statutory Body	APP	WIP	At review stage
WIP*	Audit completed and statements returned to Minsitry of Finance for signature since 2014/2015 financial year				

Appendix 3 Outstanding Financial Statements

Head	Ministry, Statutory Bodies and Executive Agencies	Type of Statements	Years	Total outstanding	Unaudited issued Funds from the Consolidated Fund \$'000
	Forestry Department	Accrual basis	2014/15 - 2016/17	3	-
	Jamaica Customs Agency	Accrual basis	2016/17	1	-
	Management Institute for National Development	Accrual basis	2016/17	1	-
	National Environment and Planning Agency	Accrual basis	2016/17	1	-
	National Land Agency	Accrual basis	2011/12 - 2016/17	6	-
	Passport, Immigration and Citizenship Agency	Accrual basis	2012/13 - 2016/17	5	-
	Companies Office of Jamaica	Accrual basis	2016/17	1	-
	Fisheries Management and Development Fund	Cash basis	2015/16 - 2016/17	2	-
	Antidumping & Subsidies	Accrual basis	2016/17	1	-
	Council of Community College	Accrual basis	2014/15 - 2016/17	3	-
	Fair Trading Commission	Accrual basis	2015/16 - 2016/17	2	-
	Financial Investigations Division	Accrual basis	2016/17	1	-
	Institute of Jamaica	Accrual basis	2014/15 - 2016/17	3	-
	Jamaica 4 H Clubs	Accrual basis	2013/14 - 2016/17	4	-
	Jamaica Intellectual Property Office	Accrual basis	2016/17	1	-
	Jamaica National Heritage Trust	Accrual basis	2004/05 - 2016/17	13	-
	Jamaica Veterinary Board	Cash basis	2015/16 - 2016/17	2	-
	Land Administration Management Programme	Accrual basis	2015/16 - 2016/17	2	-
	Milk River Bath	Cash basis	2016/17	1	-
	National Council on Drug Abuse	Accrual basis	2012/13 - 2016/17	5	-

	National Council on Education	Accrual basis	2016/17	1	-
	National Gallery of Jamaica	Accrual basis	2010/11 - 2016/17	7	-
	National Insurance Scheme	Accrual basis	2015/16 - 2016/17	2	-
	National Youth Services	Accrual basis	2013/14 - 2016/17	4	-
	Pharmacy Council of Jamaica	Accrual basis	2015/16 - 2016/17	2	-
	Police Civilian Oversight Authority	Accrual basis	2015/16 - 2016/17	2	-
	Export Division	Accrual basis	2014/15 - 2016/17	3	-
	Social Development Commission	Accrual basis	2016/17	1	-
	National Library of Jamaica	Cash basis	2016/17	1	-
	Jamaica Library Services	Accrual basis	2013/14 - 2016/17	4	-
	Clarendon Parish Council	Modified Accrual Basis	2013/14 - 2016/17	4	-
	Hanover Parish Council	Modified Accrual Basis	2015/16 - 2016/17	2	-
	Kingston & Saint Andrew Municipal Council	Modified Accrual Basis	2011/12 - 2016/17	6	-
	Manchester Parish Council	Modified Accrual Basis	2012/13 - 2016/17	5	-
	Portland Parish Council	Modified Accrual Basis	2010/11 - 2016/17	7	-
	Portmore Municipal Council	Modified Accrual Basis	2011/12 - 2016/17	6	-
	St. Ann Parish Council	Modified Accrual Basis	2009/10 - 2016/17	8	-
	St. Catherine Parish Council	Modified Accrual Basis	2009/10 - 2016/17	8	-
	St. Elizabeth Parish Council	Modified Accrual Basis	2014/15 - 2016/17	3	-
	St. James Parish Council	Modified Accrual Basis	2010/11 - 2016/17	7	-
	St. Mary Parish Council	Modified Accrual Basis	2013/14 - 2016/17	4	-
	St. Thomas Parish Council	Modified Accrual Basis	2014/15 - 2016/17	3	-
	Trelawny Parish Council	Modified Accrual Basis	2015/16 - 2016/17	2	-
	Westmoreland Parish Council	Modified Accrual Basis	2012/13 - 2016/17	5	-
	Parochial Revenue Fund	Accrual basis	2005/06 - 2016/17	12	-

02000	Houses of Parliament	Appropriation Account	2014/15 - 2016/17	3	2,418,416
06000	Office of the Services Commission	Appropriation Account	2011/12 , 2014/15 - 2016/17	3	709,595
07000	Office of the Children's Advocate	Appropriation Account	2012/13 , 2014/15 & 2016/17	3	351,522
08000	Independent Commission of Investigations	Appropriation Account	2016/17	1	365,386
15000	Office of the Prime Minister - Recurrent	Appropriation Account	2015/16 - 2016/17	2	8,072,654
15000A	Office of the Prime Minister - Capital A	Appropriation Account	2015/16	1	1,675,606
15000B	Office of the Prime Minister - Capital B	Appropriation Account	2015/16 - 2016/17	2	1,363,739
16000B	Office of the Cabinet - Capital B	Appropriation Account	2015/16 - 2016/17	2	697,832
16049	Management Institute for National Development	Appropriation Account	2015/16 - 2016/17	2	288,370
17000	Ministry of Tourism - Recurrent	Appropriation Account	2015/16 - 2016/17	2	3,718,009
17000B	Ministry of Tourism - Capital B	Appropriation Account	2015/16 - 2016/17	2	12,249
19000	Ministry of Economic Growth & Job Creation	Appropriation Account	2015/16 - 2016/17	1	6,978,042
19000A	Ministry of Economic Growth & Job Creation - Capital A	Appropriation Account	2015/16 - 2016/17	1	1,744,879
19000B	Ministry of Economic Growth & Job Creation - Capital B	Appropriation Account	2015/16 - 2016/17	1	14,436,312
19046	Forestry Department (*)	Appropriation Account	2013/14 - 2016/17	4	2,223,026
19047	National Land Agency (*)	Appropriation Account	2005/06 - 2016/17	12	2,255,949
19048	National Environment and Planning Agency (*)	Appropriation Account	2015/16 - 2016/17	2	838,263
19050	National Works Agency (*)	Appropriation Account	2001/02 - 2016/17	16	626,378

20000	Ministry of Finance and the Public Service - Recurrent	Appropriation Account	2015/16 - 2016/17	2	29,125,021
20000A	Ministry of Finance and the Public Service - Capital A	Appropriation Account	2016/17	1	1,571,083
20000B	Ministry of Finance and the Public Service - Capital B	Appropriation Account	2015/16 - 2016/17	2	4,460,458
20011	Accountant General	Appropriation Account	2013/14 - 2016/17	4	2,198,077
20012	Jamaica Customs Agency (*)	Appropriation Account	2013/14 - 2016/17	4	-
20018	Public Debt Servicing (Interest Payments)	Appropriation Account	2013/14 - 2016/17	4	887,317,580
20019	Pensions	Appropriation Account	2013/14 - 2016/17	4	105,652,744
20056	Tax Administration Jamaica	Appropriation Account	2014/15 - 2016/17	3	18,623,805
28027	Resident Magistrates' Courts	Appropriation Account	2011/12 - 2015/16	5	5,559,666
28029	Supreme Court	Appropriation Account	2011/12 - 2016/17	6	5,199,167
28032	Trustee in Bankruptcy	Appropriation Account	2014/15 - 2015/16	2	755,695
28054	Court Management Services	Appropriation Account	2010/11	1	-
30000	Ministry of Foreign Affairs & Foreign Trade-Recurrent	Appropriation Account	2016/17	1	3,889,864
40000	Ministry of Labour & Social Security - Recurrent	Appropriation Account	2011/12 - 2013/14, 2015/16- 2016/17	5	14,402,617
40000A	Ministry of Labour & Social Security - Capital A	Appropriation Account	2012/13	1	650,000
40000B	Ministry of Labour & Social Security - Capital B	Appropriation Account	2011/12 - 2016/17	6	27,914,516
41000	Ministry of Education, Youth & Information - Recurrent	Appropriation Account	2012/13, 2014/15 - 2016/17	4	338,340,177
41000A	Ministry of Education, Youth & Information - Capital A	Appropriation Account	2014/15 - 2016/17	3	1,767,735
41000B	Ministry of Education, Youth & Information - Capital B	Appropriation Account	2014/15 - 2016/17	3	4,374,550

41051	Child Development Agency	Appropriation Account	2016/17	1	2,114,566
42000	Ministry of Health - Recurrent	Appropriation Account	2013/14 - 2016/17	4	182,905,440
42000A	Ministry of Health - Capital A	Appropriation Account	2014/15 - 2016/17	3	15,000
42000B	Ministry of Health - Capital B	Appropriation Account	2014/15 - 2016/17	3	3,693,867
42020	Registrar General's Department (*)	Appropriation Account	2012/13 - 2016/17	5	29,598
42034	Bellevue Hospital	Appropriation Account	2015/16 - 2016/17	2	3,042,691
42035	Government Chemist	Appropriation Account	2015/16 - 2016/17	2	71,142
45000	Ministry of Youth & Culture - Recurrent	Appropriation Account	2015/16	1	3,362,660
45000B	Ministry of Youth & Culture - Capital B	Appropriation Account	2015/16	1	48,777
46000	Ministry of Culture, Gender, Entertainment & Sport - Recurrent	Appropriation Account	2015/16 - 2016/17	2	43,147,182
46000A	Ministry of Culture, Gender, Entertainment & Sport - Capital A	Appropriation Account	2015/16 - 2016/17	2	108,500
46000B	Ministry of Culture, Gender, Entertainment & Sport - Capital B	Appropriation Account	2016/17	1	886,484
50000	Ministry of Industry, Commerce, Agriculture & Fisheries - Recurrent	Appropriation Account	2015/16	1	4,387,375
50000A	Ministry of Industry, Commerce, Agriculture & Fisheries - Capital A	Appropriation Account	2015/16	1	529,191

50000B	Ministry of Industry, Commerce, Agriculture & Fisheries - Capital B	Appropriation Account	2015/16	1	56,927
53000	Ministry of Industry, Investment & Commerce - Recurrent	Appropriation Account	2014/15 - 2015/16	2	7,464,030
53000B	Ministry of Industry, Investment & Commerce - Capital B	Appropriation Account	2014/15	1	1,887,448
72000	Ministry of Local Government & Community Development - Recurrent	Appropriation Account	2016/17	1	10,899,150
72000A	Ministry of Local Government & Community Development - Capital A	Appropriation Account	2016/17	1	430,100
72000B	Ministry of Local Government & Community Development - Capital B	Appropriation Account	2016/17	1	513,236
26024	Department of Correctional Services	Appropriation Account	2016/17	1	8,028,587
	Total			325	1,774,200,933

ⁱ The court will determine whether the full amount, part thereof or none should be paid or not