

**AUDITOR GENERAL'S DEPARTMENT
PERFORMANCE AUDIT REPORT
NUTRITION PRODUCTS LIMITED (NPL)
GOVERNANCE & RESOURCE MANAGEMENT**

The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act.

This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

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AUDITOR GENERAL'S
DEPARTMENT OF JAMAICA

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Audit at a Glance

Performance Audit Report Nutrition Products Limited (NPL)

Key Audit Question

Is NPL managing its resources to provide meals to schools in keeping with its mandate?



Key Data

- **\$5.5** billion in subvention, 2015-16 to 2020-21
- Production reduced to **4.9M** units in 2019-20 from **43M** units in 2015-16
- Students fed reduced to **18,732** in 2019-20 from **156,291** in 2015-16
- Production cost per unit increased to **\$111** in 2019-20 from **\$18** in 2015-16

Main Findings

- Shifting strategic directions surrounding NPL's divestment since 2011.
- Board failed in oversight responsibility and review of the achievement of NPL's mandate.
- \$143 million in connected party transactions raised issue of conflict of interest.
- NPL did not always embrace basic principles of good procurement practices to ensure value for money.
- Unplanned approach to general repairs and maintenance did not ensure value for money.
- NPL's recruitment and selection process was not always consistent with good practices.



Conclusion & Recommendation

While there were shifting strategic directions surrounding the future of NPL and the Board's and MoEYI's oversight of NPL's operation remained ineffective, NPL continued to struggle with inefficiencies, deficiencies and irregularities in its production and distribution processes, human resource, and procurement activities; some of which stemmed from Board and management override of internal controls and scant regard for good governance and procurement practices raising issues of conflict of interest.

Auditor General's Overview

As part of our annual strategic audit planning process, we assessed the risks to achieving the six essential elements identified in the Vision 2030 Jamaica National Development Plan (NDP) to enhance the quality of life for all Jamaicans. Nutrition is listed among the six essential elements, with the need to support adequate nutrition at schools noted as one of the priority sector strategies outlined under National Outcome #1: A Healthy and Stable Population. Nutrition Products Limited (NPL) is a major component of the National School Feeding Programme and its role is central to the strategy in supporting adequate nutrition at schools, given its mission to produce and distribute nutritious meals to school children at the lowest possible cost, utilizing local resources whenever possible. Most of the over 97,000 beneficiaries, enrolled under the Programme of Advancement Through Health and Education (PATH), are primary school students who received free meals aimed at providing them with a third of the daily caloric nutritional needs required to aid in their learning and attendance, given their economic vulnerability.

The Government of Jamaica provided \$5.5 billion to NPL, between 2015-16 and 2020-21. Given the level of funding, NPL was expected to implement strong systems of internal controls to allow for the prudent management of funds to meet its mandate. NPL's role in contributing to Jamaica supporting adequate nutrition in school makes it a priority area in the AuGD's strategic audit plan. I commissioned an audit of NPL given the adverse findings from our audit of NPL published in November 2012, coupled with recent concerns about NPL's resource management. The audit reviewed four key areas of NPL's operation, production and distribution, procurement, quality standards and strategic oversight, central to achieving its mandate.

In my 2012 report, NPL was cited for failing to provide assurance that it was meeting its main objective to "prepare and deliver nutritious meals for distribution to designated children", because it neglected to conduct the required tests for the 2009-10 to 2011-12 school years. In this report, we noted that NPL made significant improvement in the number of tests conducted to determine the nutritional content of meals produced and distributed to schools, though there was still the requirement for NPL to compare the results of the tests with established or recommended standards for students' daily caloric intake. However, this positive development was overshadowed by several recurring deficiencies contributing to operational and cost inefficiencies at NPL, even as talks to divest its operations have been ongoing since 2011. A major issue in this report is the matter of related party transactions. Such transactions are not prohibited by law, but the nature of these transactions creates a potential risk for conflicts of interest. Therefore, it was necessary for NPL, and public bodies in general, to manage this risk by ensuring a greater level of due diligence.

Thanks to the management and staff of NPL and Ministry of Education Youth and Information (MoEYI) for the co-operation and assistance extended to the audit team.



Pamela Monroe Ellis, FCCA, FCA
Auditor General

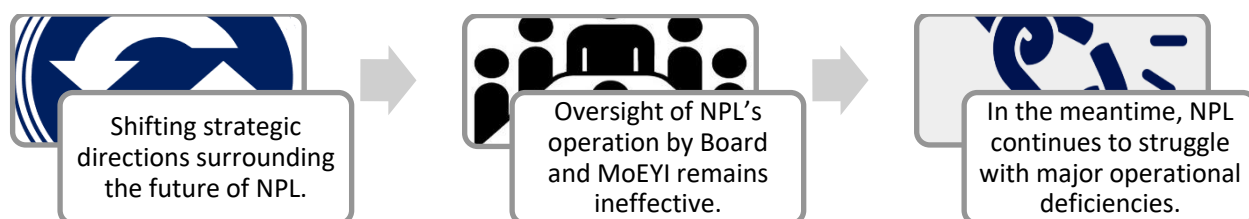
This report contains our findings on the
Performance Audit of
Nutrition Products Limited (NPL)

Summary

Vision 2030 Jamaica National Development Plan (NDP) identifies nutrition as one of six essential elements needed to enhance the quality of life for all Jamaicans. The need to support adequate nutrition at schools is one of the priority sector strategies outlined under National Outcome #1: A Healthy and Stable Population. Nutrition Products Limited (NPL) is responsible to produce and distribute meals to students, many of whom are enrolled under the Programme of Advancement Through Health and Education (PATH), due to their socioeconomic conditions¹. Given its mandate, the role NPL plays is important in contributing to Jamaica achieving the 2030 development goal, specific to nutrition in schools. As such, it is important for NPL to employ good governance and financial practices in the management of its resources, to enable the achievement of its mandate and to effectively support the delivery of adequate nutrition in schools.

The AuGD's 2012 audit report highlighted that NPL was facing difficulties achieving aspects of its main corporate objectives and was challenged by high production costs, failure to adhere to GoJ Procurement guidelines and unauthorised payments. This performance audit focused on four key questions relating to production and distribution, procurement, quality standards and strategic oversight of NPL's operation, to determine how well NPL was managing its resources to provide meals to selected students in keeping with its mandate. The audit identified major internal control weakness in the production and distribution processes, human resource, and procurement activities. The details of our analyses, observations and conclusions are outlined in Parts 2 and 3 of this report.

What we found

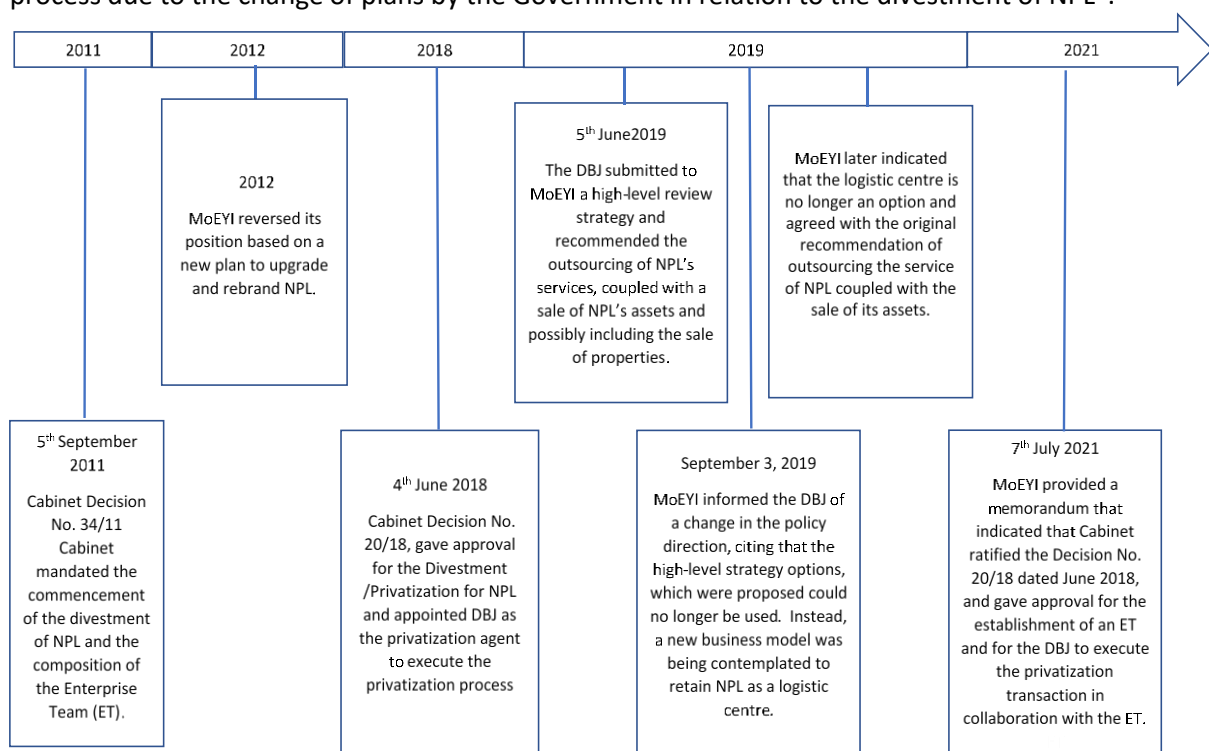


- 1. NPL made significant improvement in the number of tests conducted to determine the nutritional content of meals produced and distributed to schools.** This was a positive development given that in our 2012 report, we highlighted that NPL was failing in its main objective to “prepare and deliver nutritious meals for distribution to designated children”, because it did not conduct the required test for the 2009-10 to 2011-12 school years. For the period January 2017 to July 2020, we noted 114 tests conducted by the Bureau of Standards Jamaica (BSJ) on various meals. Among these tests, BSJ conducted nutritional tests, usually at the beginning of the school term, to determine the nutritional value of the products. However, whereas BSJ conducted 40 nutritional analyses on meals produced by NPL, we found no evidence that NPL compared the results of the tests with an established standards set by Ministry of Education, Youth and Information (MoEYI) in conjunction with the Ministry of Health and Wellness (MoHW) or recommended best practice. The meal NPL served for breakfast consisted of a spice bun with pre-packaged porridge had a combined sugar content of 45 grams, while the meal

¹ *PATH was introduced by the Government of Jamaica as a Conditional Cash Transfer programme targeting vulnerable households within the population, to among other things, increase educational attainment and improve health outcomes of the poor by breaking the inter-generational cycle of poverty.*

served for lunch, which consists of a bulla and a fruit juice, had a combined sugar content of 40 grams, exceeding the World Health Organization (WHO) recommended daily intake by 20 grams and 15 grams, respectively. MoEYI indicated that the sugary content of bulla has been reduced, based on MoHW food based dietary guidelines. However, MoEYI noted that “no assessment could have been done to determine conformity of its products with nutrition standard as the National Nutrition Standards, was either not yet developed or unavailable for circulation”.

- 2. Talks to divest NPL’s operations have been ongoing since 2011, but there were shifting strategic directions surrounding the future of NPL.** Whereas in 2011, talks commenced towards privatization of NPL, in 2012, MoEYI reversed its position based on a new plan to upgrade and rebrand NPL². As part of a major plan to modernize the School Feeding Programme, MoEYI indicated in its corporate strategic plans for 2014-17 to 2018-21, that the services of NPL are to be rationalised. Consistent with this strategy, on June 4, 2018, Cabinet approved the divestment/privatization to be undertaken, by outsourcing the manufacturing and distribution functions of NPL and appointed the Development Bank of Jamaica (DBJ) as the Agency, to execute the privatization process³. On June 5, 2019, DBJ submitted a high-level review strategy to MoEYI, which outlined three possible options for the privatisation of NPL. DBJ recommended that the most advantageous option would be to outsource the services that NPL provides, coupled with a sale of NPL’s assets. We gleaned from the minutes of a meeting held September 3, 2019, between DBJ and MoEYI, that the Acting Permanent Secretary, indicated that “due to a change in the policy direction of the Ministry, the high-level strategy options, which were proposed by the DBJ could no longer be used”. Instead, “a new approach will have to be adopted to guide the process due to the change of plans by the Government in relation to the divestment of NPL”.



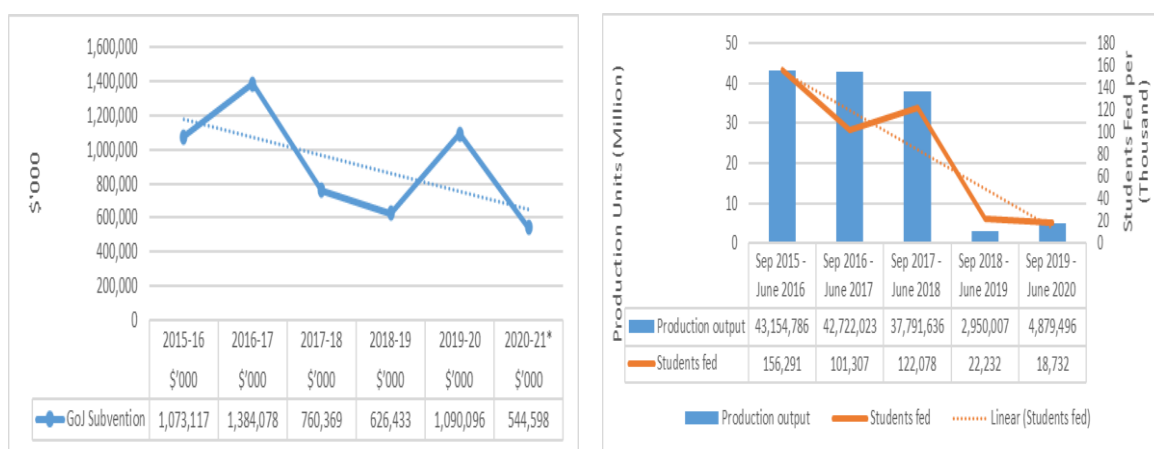
² MoEYI’s response via email dated December 8, 2020, and May 14, 2021

³ Cabinet Decision No. 20/18

In a letter, dated February 13, 2020, DBJ highlighted that MoEYI later officially indicated, in the meeting held September 3, 2019, that a new business model was being contemplated to retain NPL as a logistic centre, but later indicated that the plan was no longer an option and agreed with the original recommendation of outsourcing the service of NPL. In expressing its concerns over the lack of activity around the privatization, DBJ urged MoEYI to assign personnel to manage the process. MoEYI provided a memorandum dated July 7, 2021, which indicated that Cabinet granted approval for the divestment/privatization of NPL. Cabinet also gave approval for the establishment of an enterprise team for the divestment/privatization of NPL and for the DBJ to execute the divestment/privatization transaction in collaboration with the enterprise team⁴.

3. While there are shifting strategic directions surrounding NPL's future, NPL is faced with operational and cost inefficiencies in its production and distribution processes and deficiencies in its human resource, and procurement activities.

- I. In 2017-18, MoEYI reduced NPL's subvention by almost 50 per cent and the number of students to be fed to 3,810 from 77,076, resulting in NPL significantly scaling down production outputs, though at an increased cost per unit.** With fewer production units in 2018-19 and 2019-20, NPL's cost per unit of production increased to \$43 in 2018-19 and then \$111 in 2019-20, compared to an average of \$19 per unit in the three preceding years. This arose from a reduction in production outputs whilst the cost to maintain NPL's production plants either increased or remained unchanged. The increase in the production cost per unit runs counter to NPL's mandate to produce and distribute meals at the lowest possible cost. NPL's total production units at all three plants reduced to 2.9 million (93 per cent) in 2018-19 and 4.9 million (88 per cent) in 2019-20 when compared to the average yield of 41 million units for the previous three school years, 2015-16 to 2017-18, highlighting plant utilization inefficiency. For example, in the 2018-19 school year, NPL's Westmoreland plant reported zero-production output. However, between April 2018 and March 2019, NPL paid \$19.6 million to 33 production workers, who were not gainfully employed because production stopped.



Source: NPL's Audited Financial Statements and AuGD's Analysis of data provided by NPL

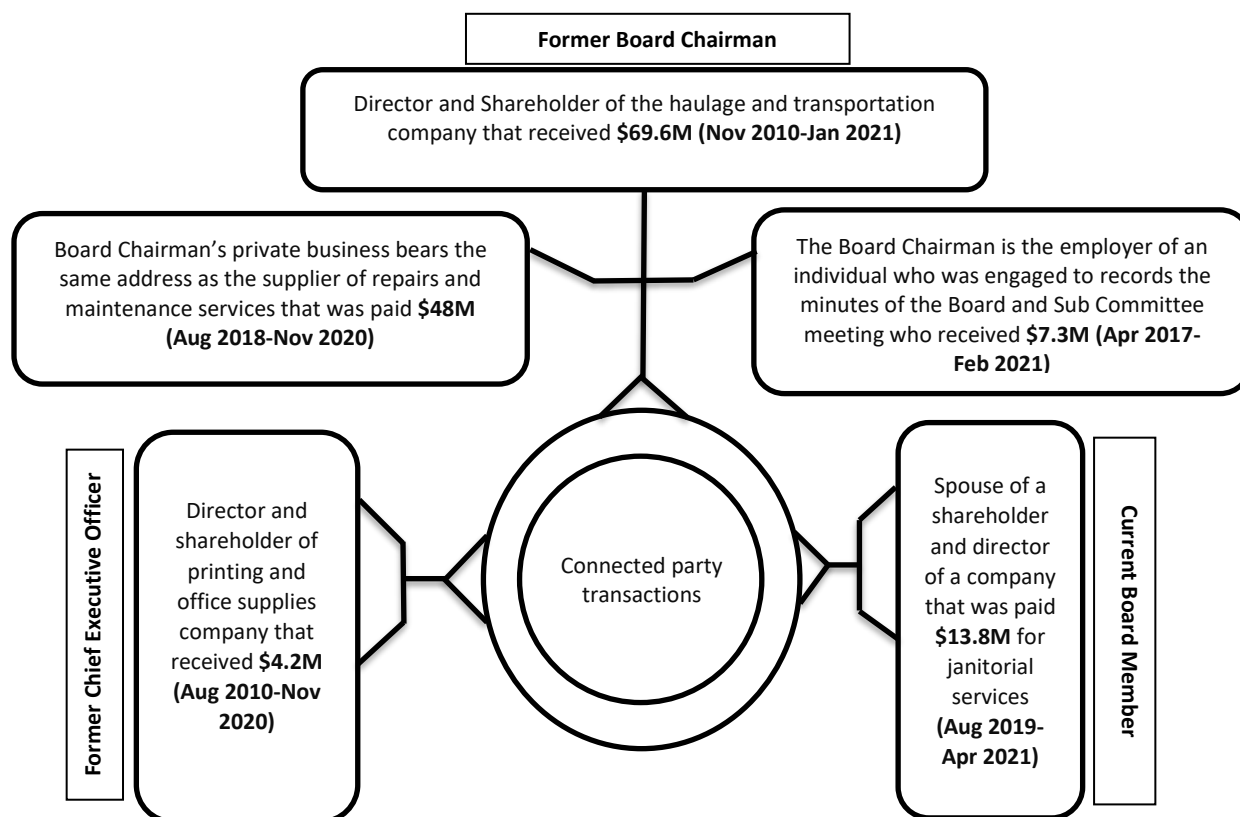
⁴ Decision 27/21 dated June 28, 2021

Also, despite the vast reduction in NPL's production units and the number of schools and students receiving meals, the cost of delivery increased. NPL delivered meals to 550 schools at a cost of \$69 million, in 2017-18, whereas in 2018-19, NPL paid \$100 million to deliver meals to 477 schools and further paid \$117 million in 2019-20 for deliveries made to 397 schools. The increase in delivery cost resulted from NPL's decision to centralize the delivery of meals to schools from its Kingston plant; and NPL applied new rates for deliveries from Kingston to schools previously serviced by the Westmorland and Saint Mary plants. For example, under the centralised distribution arrangement, it costed NPL a flat rate of \$53,840 daily to make deliveries from its Kingston Plant to schools in Westmoreland, compared to \$10,850 from its Westmoreland Plant to schools in Westmoreland, under the previous arrangement. This represents a 396 per cent increase in daily delivery rates. It appears that management did not analyse available data, assess current circumstances, and perform cost benefit analyses to make appropriate recommendations and/or inform strategic decisions.

- II. NPL paid \$143 million to companies and individuals connected to Board members and management staff, to provide transportation, repairs and maintenance, sanitation, and other services.** We consider a connected party as an individual or entity closely associated, whether directly or indirectly, to NPL's directors or anyone discharging managerial responsibilities. Related party transactions are not prohibited by law, but the nature of these transactions is likely to create potential conflicts of interest. Therefore, it was necessary for NPL to manage this risk by ensuring a greater level of due diligence, including strict adherence to the procurement guidelines, and demanding ethical requirements for full disclosure, to demonstrate openness, fairness, and transparency in the engagement process⁵. Also, we expected the Board of Directors collectively, as well as its members individually, to exercise duty of care, in keeping with its fiduciary responsibility, by making decisions that will always benefit the interest of NPL. Instead, we found instances in which NPL breached the procurement law in the way in which it engaged service providers. Further, board members acted contrary to ethical standards and fiduciary responsibility by failing to disclose connected party relationships.

In one such instance, NPL paid a distribution company \$69.6 million, between November 2010 and January 2021, to provide transportation and haulage services. Our investigation revealed that the registered owner of three trucks used by the distribution company, was an investment company, which the former Board Chairman is a director and shareholder. The former Chairman served two tenures on NPL's Board, 2007 to 2013 and 2017 to December 2020. We noted that payments to the distribution company stopped in 2013, when the first tenure ended, and restarted in 2017. Of note, the distribution company received delivery routes with the highest rates and was the only haulage contractor assigned to perform shuttle services, resulting from the decision to centralize the distribution of meals to schools, from the Kingston plant. The risk of conflict of interest increased in a context where the former Chairman was involved in the decision to centralize the distribution process. Based on our assessment, the decision to centralize the distribution process turned out to be a costly option for NPL, demonstrating that the former Chairman ignored the principles of fiduciary responsibility and duty of care.

⁵ Board Information and Disclosure - Principle 17 of the Corporate Governance Framework for Public Bodies - all board members on first appointment, and at any time when circumstances dictate, should, in good faith, disclose to the Board, for recording and disclosure to external auditors, any business or other interests that are likely to create a potential conflict of interest.



- III. NPL relied on external service providers to carryout routine repairs and maintenance of its plant and machinery, instead of utilizing its internal maintenance technicians.** We noted that NPL engaged the external service providers to carry out general repairs and maintenance of buildings and plant and machinery, mostly in an unplanned manner. In one instance, NPL paid an individual \$49 million, between 2017-18 to 2020-21, to undertake repairs and maintenance work, many of which should have been performed by its internal maintenance technicians based on their job descriptions. We found no evidence that NPL assessed the cost-effectiveness of using external service providers vis-a-vis its internal maintenance technicians to ensure it received value for money.
- IV. We also identified cases in which NPL ignored the procurement rules of fairness, transparency, accountability, and competition, and bypassed the procurement process altogether, demonstrating that it did not embrace good procurement practices.** For example, our review of NPL's payment files revealed that the procurement manager, in many instances, did not play an active role in the procurement of services for the repairs and maintenance to plant, machinery, and buildings. We found 70 instances, where service providers' invoices, totalling \$13.7 million, predated the requisitions and purchase orders, indicating that the work was executed prior to authorization. We noted that the procurement manager's involvement in the process was limited to signing the purchase orders, which were prepared after the services were already provided. In these cases, NPL did not use the normal control procedure for requisitions to be authorised and submitted to the procurement unit to source the suppliers and raise the purchase order.

- V. NPL's recruitment and selection process was not always consistent with its own employment and recruitment policy and related circulars issued by the Ministry of Finance and the Public Service (MoFPS), as well as good practice.** As part of good human resource management practices, we expected NPL to employ a robust mechanism in the selection and employment of employees, especially in key management positions. We reviewed the recruitment process for 12 managerial staff and identified that NPL did not advertise the vacancies for five positions to ensure the most suitable individuals were selected for the positions. In eight instances, NPL employed individuals who either did not meet the minimum qualification or experience required for the positions. In August 2017, NPL employed the Human Resource Manager, who only possessed six subjects at the General Certificate of Education (GCE) level, when the position required a Bachelor of Science degree in social sciences with at least six years work-related experience at a middle or senior management level. The Human Resource Manager stayed in the position up to March 31, 2020 and would have presided over the employment process of the other individuals who also did not possess the required qualifications and experience. Further, NPL applied payment terms to 13 individuals in a manner contrary to the Staff Orders for the Public Service, resulting in unauthorised payments of \$4.1 million as at December 2020. Four of these individuals were engaged at higher grades in the salary scale, with no evidence of the special circumstances which would have influenced its decisions or the approval of the Board or MoFPS; resulting in unauthorised payments totalling \$1 million as at December 2020. Except for the Chief Executive Officer and the distribution supervisor who subsequently attained the minimum qualification for the respective posts, the others, at the time of this audit, did not hold the requisite academic qualifications for the positions.
- VI. Notwithstanding the employment of the Human Resource Manager, NPL subsequently engaged a Consultant to assist with a proposed reorganization and undertake similar functions assigned to the Human Resource Manager, underscoring the deficiencies in that officer's skillsets.** NPL engaged the Consultant under two contracts for the periods January 14, 2019, to July 31, 2019, and August 2019 to February 2020. NPL paid the Consultant \$3.3 million for the period February 2019 to July 2020. We were unable to ascertain how NPL justified the engagement of the Consultant to undertake a proposed reorganization, given the 2018 Cabinet Decision to pursue the divestment of NPL and subsequent reduction in NPL operational outputs and underutilization of staff. NPL did not provide evidence that a proposal or request was submitted to the Board, MoEYI or MoFPS for review and approval, prior to the engagement of the Consultant or that the procurement committee and evaluation committee were involved in the process to engage the Consultant. In addition, NPL upgraded some positions without the requisite approval of MoEYI and MoFPS and then subsequently sought retroactive approval, which was denied.
- 4. The Board of Directors is to provide strategic oversight, develop effective internal controls and operational risk management activities in ensuring the achievement of NPL's objectives and mission.** We found that the Board of Directors provided minimal oversight of NPL's strategic and risk management processes as there was no evidence that NPL's strategic plans were reviewed to provide guidance on the way forward, considering the pending divestment process. NPL indicated that *"since the impending divestment of NPL and continuous disruptions of operations from instructions received from the MoEYI; Management's focus was operational rather than strategic. For the financial year 2018-19 NPL implemented and effected its five-point operational plan"*. However, it should be noted that NPL continued to receive subvention from the Government of Jamaica (GoJ) and received a total of \$5.5 billion over the period, 2015-16 to 2020-21. Also, we saw no evidence of risk assessments to

devise strategies to address threats to NPL's financial and operational activities. Additionally, the Board allowed the same individual to perform the roles of internal auditor and financial controller at various intervals, a practice, which compromised the effectiveness of NPL's internal control mechanisms.

What should be done

Decisive Policy Directives

- It is an urgent requirement for MoEYI to initiate consultations with the Development Bank of Jamaica (DBJ) and other key stakeholders at the policy and operational levels, with a view to devising a plan for the future of NPL's operation.
- The plan should be informed by appropriate analyses and supported by clearly defined strategies that are communicated to all parties to set an unambiguous agenda as to the way forward.

Effective Oversight and Monitoring

- In the meantime, NPL needs effective oversight and monitoring by a Board of Directors that will uphold good principles in making decisions that will enable NPL to meet its business objectives, during the lifetime of its operation.
- The Board of Directors should be fully au fait with good governance practices, the principles of fiduciary responsibility and duty of care and its role in developing strategy, risk management and strong internal control mechanisms to ensure the achievement of NPL's mandate.
- The Board of Directors must set the tone by promoting good procurement practices in keeping with the legal framework in ensuring fairness, accountability and transparency, and competition in the procurement of goods and services.
- Top priority for the Board of Directors is to develop and implement a system to assess and monitor the effectiveness of NPL in producing meals with the required nutritional values, its cost-effectiveness and the extent to which NPL is increasing the use of local raw materials in the production of meals.

Review of connected party transactions

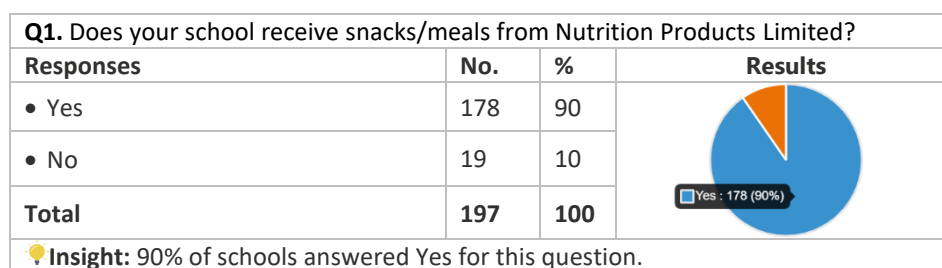
- MoEYI should immediately call for full disclosure of all existing contractual and transactional arrangements with connected parties, with a view to review and reconsider these arrangements in ensuring that potential conflicts of interest are eliminated and the interest of NPL is fully protected.

Part One Introduction

Background

1.1 Nutrition Products Limited (NPL) produces and distributes meals to schools as part of the National School Feeding Programme, which mainly targets students enrolled under PATH, based on their socioeconomic conditions. Most of the over 97,000 beneficiaries, between the ages of 3 and 18, enrolled under the Programme of Advancement Through Health and Education (PATH), are children in primary schools⁶. NPL distributes meals to schools, at no cost to students. We conducted a survey to obtain responses from schools' administration on the meals provided by NPL. The complete survey results are shown in **Appendix 1**. We contacted 405 schools, from which we received 197 responses. The majority, 90 per cent of schools, indicated that they received meals from NPL (**Figure 1**). This major Government funded school feeding initiative is geared towards alleviating hunger and increasing school attendance, among the most vulnerable students.

Figure 1 Analysis of Survey Results



Source: AuGD's Survey Results

Linking NPL's mandate to Vision 2030 Jamaica National Development Plan (NDP)

1.2 The mandate of NPL is "to produce and distribute a nutritious meal to designated school children at the lowest possible cost, utilizing local resources whenever possible". The achievement of NPL's mandate is a significant outcome for the Vision 2030 Jamaica National Development Plan (NDP), which identifies nutrition as one of six essential elements needed to enhance the quality of life for all Jamaicans. The need to support adequate nutrition is one of the priority sector strategies outlined under National Outcome #1: A Healthy and Stable Population, given the importance of nutrition to the health of certain population groups, including school children. This underscores the imperative for NPL to employ good governance and financial practices in the management of its resources, to achieve its mandate and contribute to the achievement of Jamaica's 2030 development goal, specific to nutrition in schools.

⁶ *PATH was introduced by the Government of Jamaica as a Conditional Cash Transfer programme targeting vulnerable households within the population, to among other things, increase educational attainment and improve health outcomes of the poor by breaking the inter-generational cycle of poverty.*

NPL is fully funded by the Government of Jamaica (GoJ)

1.3 NPL utilized funds provided by the Government of Jamaica (GoJ) to maintain the required human and physical capital resources necessary to facilitate the production and distribution of meals to schools. Over the five-year period, 2015-16 to 2020-21, NPL received subvention support totalling \$5.5 billion⁷ (**Table 1**). Being a public body, the management of NPL's operations and financial resources is subjected to legislations, such as the Public Bodies Management and Accountability (PBMA) Act, the Handbook of Public Sector Procurement Procedures, Corporate Governance Framework for Public Bodies and Accountability Framework for Senior Executive Officers.

Table 1 GoJ Funding to NPL, 2015-16 to 2020-21

Revenue	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21* \$'000	Total \$'000
GoJ Subvention Received	1,073,117	1,384,078	760,369	626,433	1,090,096	544,598	5,478,691
Sales to Schools	24,552	26,027	21,140	5,554	-	-	77,273
GoJ collection liability	-	-	21,891	-	-	-	21,891
Total Revenue	1,097,669	1,410,105	803,400	631,987	1,090,096	544,598	5,577,855

Source: NPL's Audited Financial Statements (*Unaudited)

1.4 Considering the value of the subvention provided to NPL, there is increased expectation that NPL should manage its resources in a manner that demonstrates the achievement of value for money (VFM). This encompasses effectiveness, efficiency, and economy as well as transparency, accountability, competition, and fairness (**Appendix 2**).



⁷ Sales to school ceased since 2018-19

Basis for the audit

1.5 Considering NPL's role in supporting the GoJ's objective of adequate nutrition in schools under Vision 2030 Jamaica NDP, the audit of NPL was identified in the AuGD's annual strategic audit planning process as a high-risk area. Also, the audit was considered necessary given the adverse findings from our audit of NPL, published in November 2012, recent concerns about resource management at NPL, and the requirement to conduct follow-up audits. The 2012 audit highlighted that NPL was not meeting its mandate to utilise local resources, wherever possible, in the meals produced and distributed to students. Additionally, NPL was facing difficulties achieving aspects of its main corporate objectives and was challenged by high production costs and spoilage of finished goods and failure to adhere to GOJ procurement guidelines and unauthorised payments.

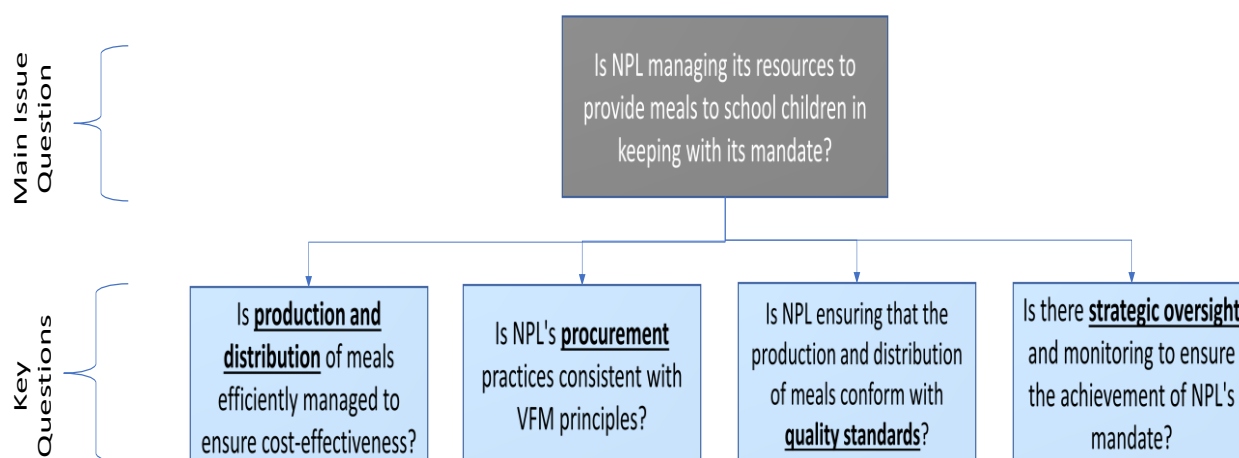
1.6 In scoping the study, we considered how it would contribute to the achievement of the Auditor General's wider strategic aims by:

- Promoting improvements in the use of public funds through better Governance and Resource Management;
- Providing an indication of current activities being carried out by NPL in meeting the nutritional needs of vulnerable school children under the school feeding programme; and,
- Providing assurance to Parliament and the public on the efficiency, effectiveness, and economy of the operations of Government Ministries, Departments and Agencies (MDAs).

The audit objective, scope, and methodology





1.7 The audit sought to determine if NPL's procurement practices were consistent with value for money principles and whether NPL was effectively managing its operations in keeping with good governance including adherence to human resource management practices. The audit focused on four key questions relating to production and distribution, procurement, quality standards and strategic oversight of NPL's operations, to determine how well NPL was managing its resources to provide meals to schools in keeping with its mandate. The accounting and operational records were examined for the review period, April 2015 to March 2021; but augmented for completeness, by reviews of transaction beyond this period, where relevant.

Audit Questions



1.8 We planned and conducted our audit in accordance with Standards issued by the International Organization of Supreme Audit Institutions (INTOSAI), which are applicable to Performance Audit. In this regard, we gained knowledge of NPL's operation through a review of internal and external information, interviews with management, staff and other stakeholders and analytical reviews. We conducted a risk assessment and developed an issue analysis with questions, which the audit sought to answer. We executed the fieldwork to gather sufficient and appropriate audit evidence on which to base our conclusions.

Part Two Divestment, Oversight and Strategic Direction

 At A Glance			
Systems and practices	Criteria	Key Findings	Assessment Against Criteria
Strategic Direction of NPL operations.	NPL future clearly scoped.	There have been shifting strategic directions surrounding NPL's divestment since 2011.	—
Effective oversight by Board of Directors.	Effective monitoring of NPL operations at the strategic level by the Board of Directors.	The Board of Directors provided minimal input and oversight for NPL's strategic and risk management processes and internal control mechanisms.	⚠
 MET the criteria  Improvements needed  Did not meet the criteria			

Shifting strategic directions surrounding NPL's divestment since 2011

2.1 Nutrition Products Limited (NPL) is a major component of the School Feeding Programme, however there were shifting strategic directions surrounding the future of NPL. We gleaned from a draft Cabinet Submission that *"in 2011, by way of Cabinet Decision No. 34/11 dated 5th September 2011, Cabinet mandated the commencement of the divestment of NPL and the composition of the ET [Enterprise Team]"*. Whereas in 2011, talks commenced towards the privatization of NPL, in 2012, Ministry of Education Youth and Information (MoEYI) reversed its position based on a new plan to upgrade and rebrand NPL⁸. However, whereas MoEYI included the modernization of the School Feeding Programme as a major activity in its corporate strategic plans for 2014-17 to 2018-21, it indicated that the services of NPL are to be rationalised. NPL's Audited Financial Statements for 2017-18 indicated that *"on June 4, 2018, the Government of Jamaica, through Cabinet Decision No. 20/18, after consideration, gave approval under the Accelerated Programme for the Rationalization of Public Bodies for a Divestment/Privatization action to be undertaken to outsource the manufacturing and distribution functions for Nutrition Products Limited"*. Subsequently, the Audited Financial Statement for 2018-19, highlighted that *"to date, the Government of Jamaica has not yet decided the future operations of Nutrition Products Limited"*⁹.

2.2 In the 2018 Cabinet Decision, Cabinet appointed the Development Bank of Jamaica (DBJ), as the Privatization Agency, to execute the privatization process. The records revealed that DBJ, in a letter to MoEYI dated February 13, 2020, communicated its concern that there was lack of activity around the privatization and urged MoEYI to assign personnel to manage the process. The letter indicated that *"the*

⁸ MoEYI's response via email dated December 8, 2020, and May 14, 2021

⁹ Audited Financial Statement 2017-18 and 2018-19 - Note 25 Subsequent Event

DBJ met with the MoEYI in April 2019 and discussed the project and the necessary steps. It was recommended that the DBJ develop a high-level review of the strategy and possible options for privatisation of NPL. The DBJ provided same to the Ministry on 5th June 2019. Based on discussions with the MoEYI, DBJ identified the following modalities that could be considered by the MoEYI for the privatisation:

- I. Outsourcing of the services coupled with the sale of NPL's Assets,
- II. Outright sale of Nutrition Products Limited as a going concern,
- III. Management Buy-Out (which was introduced by the MoEYI)".

2.3 After assessing each option, DBJ recommended that the most advantageous option would be to outsource the services that NPL currently provides for the school feeding programme coupled with a sale of NPL's assets and possibly including the sale of properties. However, we noted from minutes of meeting held September 3, 2019, between DBJ and MoEYI that the Acting Permanent Secretary, indicated that "due to a change in the policy direction of the Ministry, the high-level strategy options, which were proposed by the DBJ could no longer be used".

2.4 Instead, the Acting Permanent Secretary indicated that "a new approach will have to be adopted to guide the process due to the change of plans by the Government in relation to the divestment of NPL". The DBJ in its letter highlighted that "the Ministry took some time to review the high-level options analysis and later officially indicated in a meeting dated 3rd September 2019 that a new business model was being contemplated to retain NPL as a logistic centre. The Ministry later indicated that the logistic centre is no longer an option and agreed with the original recommendation of outsourcing the service of NPL coupled with the sale of its assets".

2.5 In noting the apparent inactivity and slow pace of NPL's divestment, DBJ indicated that MoEYI should assign a dedicated person or team to assist with the relevant transaction activities for the project. While indicating that it reviewed and provided feedback on the Cabinet Submission to MoEYI on November 25, 2019, DBJ asked MoEYI to confirm when the Cabinet Submission for the establishment of an enterprise team will be finalised and submitted to Cabinet for approval¹⁰. Given the importance of NPL's assets, DBJ implored MoEYI to work in partnership to successfully complete the divestment in a timely manner. In November 2020, MoEYI provided a copy of an undated draft Submission for Cabinet to consider and approve the establishment of an enterprise team to oversee the privatization of NPL.

2.6 MoEYI provided a memorandum, dated July 7, 2021, which indicated that Cabinet ratified the Decision No. 20/18 dated June 2018, which gave approval for the divestment/privatization of NPL. Cabinet also gave approval for the establishment of an enterprise team for the divestment/privatization of NPL and for the DBJ to execute the divestment/privatization transaction in collaboration with the enterprise team¹¹.

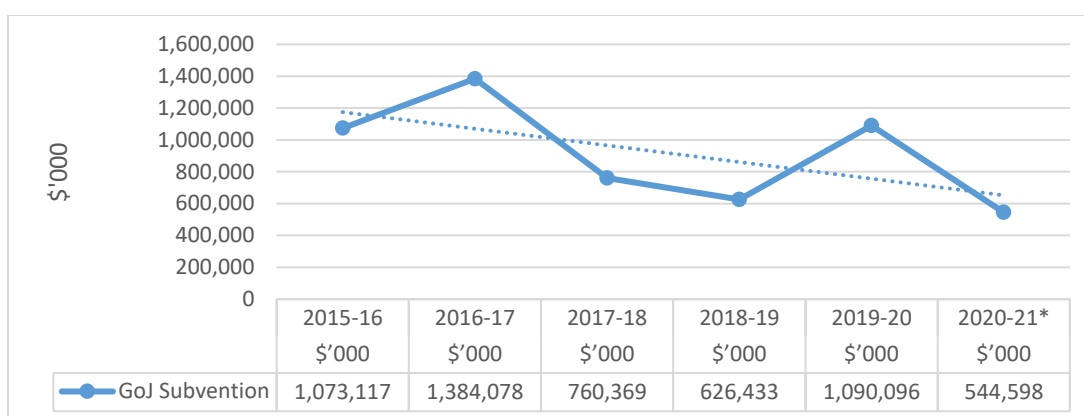
¹⁰ **GOVERNMENT OF JAMAICA Policy Framework and Procedures Manual for the Privatisation of Government Assets: The Privatisation Policy – October 2012.** Cabinet, through a Privatisation Committee of Cabinet, has overall responsibility for the GOJ privatisation activities. The Development Bank of Jamaica (DBJ) will serve as the Privatisation Agency and will report to the Privatisation Committee. The Cabinet will appoint Enterprise Teams which will be assigned the task of carrying out the privatisation of specific GOJ assets. The Subject Ministries/Agencies will work closely with the Privatisation Agency at various stages of the privatisation process.

¹¹ Decision 27/21 dated June 28, 2021

MoEYI downsizing of NPL's operation created major operational inefficiencies

2.7 Despite the shifting strategic directions, MoEYI took the decision in 2017-18 to downsize NPL's operations by reducing the subvention it provided to NPL by almost 50 per cent (**Figure 2**). Of note, this decision came before the June 2018 Cabinet Decision, which gave approval for the outsourcing of the manufacturing and distribution functions of NPL. MoEYI indicated that, based on consultation with school representatives, it received complaints regarding the quality of NPL's products. Further, an assessment showed that most schools served by NPL have canteens. On this basis, MoEYI reduced NPL's subvention, lessened the schools under NPL's programme and instead increased the number of students and cooks in schools, which fall under the cook lunch programme, thus increasing funding to these schools. Therefore, MoEYI instructed NPL, in September 2018, to reduce the number of schools served to 69 from 548 and the number of students on the feeding list to 3,810 from 77,076.

Figure 2 GOJ Subventions, 2015-16 to 2020-21

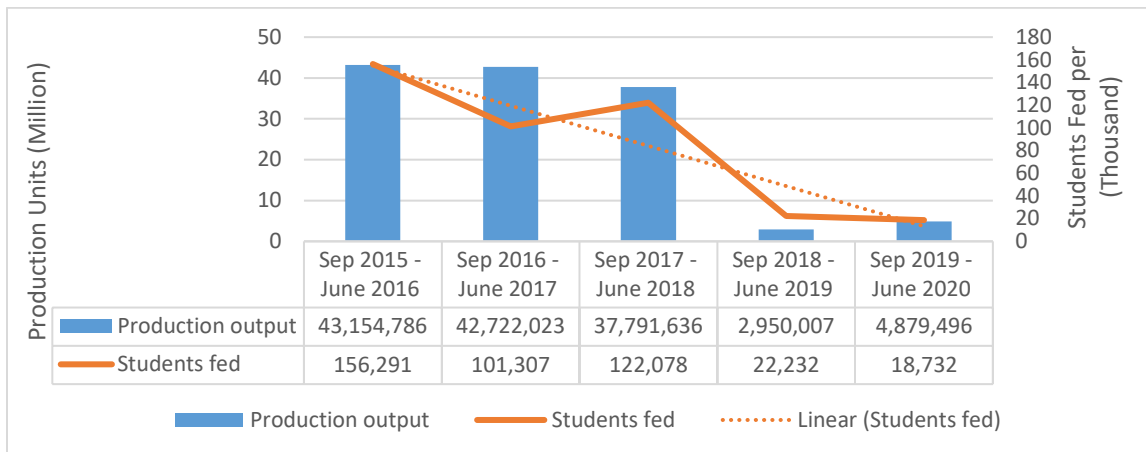


Note: *NPL financial records

Source: NPL's Audited Financial Statements

2.8 Consequently, NPL reduced the operational outputs at its Kingston Plant and closed the Saint Mary and Westmoreland plants in September 2018. In what appears to be a reversal of its decision, MoEYI later informed NPL in October 2018, to increase production to cover 399 schools, benefiting 18,732 students, which led to the subsequent reopening of the Saint Mary plant. MoEYI also instructed NPL to continue to make the necessary provisions for the additional 3,500 students in keeping with an existing arrangement with a corporate sponsor. This brought the total number of students fed in 2018-19 to 22,232 across 477 schools (**Figure 3**). In addition, in making the decision to reduce NPL's subvention, we expected MoEYI to conduct a cost benefit analysis to evaluate the opportunity costs of increasing funding to schools and reducing NPL's subvention¹². However, MoEYI provided no evidence of such analysis.

¹² **Opportunity Cost:** The costs and benefits of the available options are considered and weighed against each other.

Figure 3 NPL Production Units and Student Fed, 2015-16 to 2019-20

Source: AuGD's Analysis of data provided by NPL

2.9 In providing the rationale for reducing NPL's subvention, MoEYI indicated that *"there were widespread complaints regarding the products that were being distributed to schools by the NPL."* These complaints included *"bullas being too sweet, muffins being too tough and causing the students to be hyperactive, the wraps being stale, the porridge being sour by the time it gets to schools, and the soup arriving with foreign particles."*

2.10 MoEYI also indicated that *"Schools were appealing to the Ministry to provide them with the funds instead of the NPL products as this was a waste and that an assessment was also done of the schools with Canteens, and this showed that only 18 schools did not have canteens which represents 3 percent of the schools that were served by NPL. Following this assessment, the decision was taken for NPL to provide snacks only for these schools while the Ministry determine the repositioning of NPL to serve schools more effectively. The decision to increase the number of schools from 18 to 339 came after an analysis of the report submitted and after the NPL reformulated its bulla to make it less sweet and in keeping with the Ministry of Health directive to reduce the sugary contents of products being served in schools. It must be noted that when it comes to the nutrition of our children it cannot be determined purely based on a cost benefit analysis as is being suggested by the Auditor. The report clearly shows that there were concerns with the quality of the NPL products which was affecting our children and hence the Ministry had to move based on the report to take the right decisions."*

2.11 We saw no evidence that MoEYI met with NPL with the aim of assessing the complaints received from the school and assessing NPL's performance. We expected that MoEYI in receiving the complaints would have reviewed the performance and management structure of NPL to determine whether management cohort had the requisite skillset and experience to achieve the objectives of NPL. Instead, MoEYI slashed NPL's subvention in half and diverted the funds to the schools but retained the staff cohort of NPL. Despite the direction and assertion espoused by MoEYI in diverting funds to schools, MoEYI increased NPL's subvention in 2019-20 to \$1 billion, from \$626 million in 2018-19 and \$760 million 2017-18, although the number of students being fed fell to its lowest, 18,732.

2.12 NPL did not provide evidence that it assessed the cost effectiveness of closing the Saint Mary and Westmoreland plants with a view to determine whether there would be any cost savings on the overall operation of NPL. However, we noted that with the reduced output for 2018-19 and 2019-20, NPL's overall production cost per unit increased to \$43 in 2018-19 and \$111 in 2019-20, relative to an average \$19 per unit between 2015-16 and 2017-18. Further, we noted that the reduction in NPL's administrative costs was not commensurate with the reduction in production quantities. Administrative costs reduced by an average of 14 per cent when compared to the production units, which reduced by 84 per cent. (Table 2).

Table 2: NPL Production Cost, 2015-16 to 2020-21

Details	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21* \$'000
Raw Materials Consumed	382,560	454,914	331,712	235,070	239,034	Not available
Wages	179,451	207,700	189,778	189,952	179,547	Not available
Factory Overhead	226,647	238,474	240,656	207,691	209,406	Not available
Total Production Costs	788,658	901,088	762,146	632,713	627,987	Not available
No. Units Produced	43,434,811	49,127,182	35,976,394	14,643,838	5,678,534	1,525,182
Production Cost/Unit	\$18	\$18	\$21	\$43	\$111	Not available
Administrative Expenses	103,131	107,374	138,152	117,206	117,976	Not available
Distribution Costs	108,300	117,864	115,549	149,102	183,054	Not available

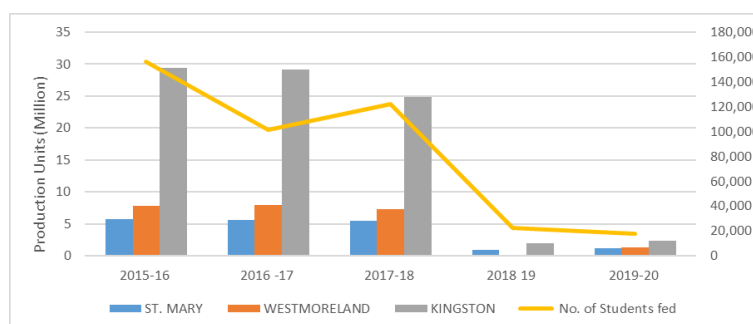
*Unaudited figures

Source: AuGD compilation and analysis of data provided by NPL

Labour inefficiencies

2.13 There was a reduction in production units to 2.95 million units in 2018-19 from 37.8 million units in 2017-18. Given that there was no change in staff, the ratio of production unit per staff fell to 15,778:1 in 2018-19 from 186,166:1 in 2017-18, indicating an underutilization of production staff (Figure 4 and Table 3). Accordingly, NPL would have experienced inefficient use of labour, because NPL's total production units at all three plants reduced to 2.95 million (93 per cent) in 2018-19 and 4.8 million (88 per cent) in 2019-20 when compared to the average yield of 41 million units for the previous three school years, 2015-16 to 2017-18. Of note, NPL reported zero-production output in the 2018-19 school year, at the Westmoreland plant, which has 33 production workers on staff, who were not gainfully employed but were paid sums totalling of \$19.6 million, between April 2018 to March 2019.

Figure 4 Analysis of NPL's Production Units, 2015-16 to 2019-20 (School Year September to June)



Source: AuGD compilation and analysis of data provided by NPL

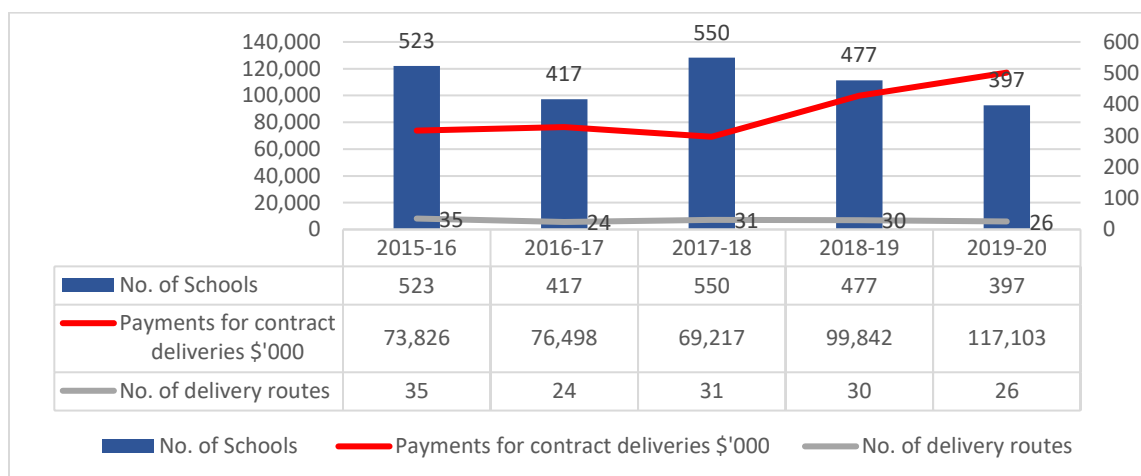
Table 3 Analysis of NPL's Production Units, 2015-16 to 2019-20 (School Year September to June)

Details	2015-16	2016-17	2017-18	2018 -19	2019-20
Westmoreland	7,869,783	7,977,842	7,358,898	0	1,310,898
Saint Mary	5,815,816	5,577,658	5,534,303	912,462	1,172,624
Kingston	29,469,187	29,166,523	24,898,435	2,037,545	2,395,974
Total Production Units	43,154,786	42,722,023	37,791,636	2,950,007	4,879,496
Production Staff (Avg.)	183	194	203	187	181
Ratio (units per staff)	235,848	220,330	186,166	15,775	26,959
No. of Students fed	156,291	101,307	122,078	22,232	18,132

Source: AuGD compilation and analysis of data provided by NPL

Transportation inefficiencies

2.14 Despite the sharp reduction in NPL's production units and the number of schools and students receiving meals, we noted a significant increase in the payments made to contractors for the delivery of meals to schools. In 2018-19, NPL paid \$100 million to deliver meals to 477 schools and further paid \$117 million in 2019-20 for deliveries made to 397 schools, whereas in 2017-18, NPL delivered meals to 550 schools at a cost \$69 million. Our analysis showed that while NPL made deliveries to fewer schools in 2018-19 and 2019-20, the cost increased when compared to the previous three years, 2015-16 to 2017-18 (**Figure 5**). This demonstrates management's failure to analyse available data, assess current circumstances and perform cost benefit analyses to make appropriate recommendations and/or inform strategic decisions.

Figure 5 Analysis of NPL's Distribution Costs 2015-16 to 2019-20

Source: AuGD compilation and analysis of data provided by NPL

2.15 Haulage contractors submitted invoices for deliveries made to schools and payments based on daily rates for routes set by NPL across all six regions. Irrespective of the number of deliveries made to schools, haulage contractors' invoices for deliveries were based on a flat rate ranging from \$10,925 to \$53,840 per delivery day, since April 2015, due to a 15 per cent rate increase¹³. Whereas NPL itemized in its budget for 2014-15 the rates per kilometre for haulage services in each parish, the budgets for succeeding years did not include the rates for haulage service. NPL provided an undated and unsigned proposal for delivery rate increase, which identified varying factors impacting delivery contractors and recommendation for increase in the delivery rate within a band of seven per cent to 10 per cent, where possible. These factors are gas prices, inflation, operational cost, and destination.

2.16 We noted that the Warehouse and Distribution Committee, at its meeting held March 20, 2019, rejected the proposed increase in delivery rates, on the basis that a rate increase may not be appropriate given the reduction in the number of students fed. Instead, the Committee agreed that the established rates remain, with the exception that Westmoreland, Hanover, and Saint James be decreased by 20 per cent. We found no evidence the NPL applied the reduction in rates for deliveries in these parishes.

2.17 Prior to 2018-19, NPL distributed meals to schools directly from all three plants, Kingston, Westmoreland, and Saint Mary. For 2018-19 and 2019-20, NPL transported the meals produced at the other locations to its Kingston plant, from where it centralised an island wide delivery of meals to schools and reduced the number of delivery routes to 26 from 30. Despite the reduction, NPL's delivery cost increased since it applied new rates for deliveries from Kingston to schools previously serviced by the Westmoreland and Saint Mary plants. For example, under the centralised distribution arrangement, it cost NPL a flat rate of \$53,840 daily to make deliveries from its Kingston plant to schools in Westmoreland, compared to \$10,850 from its Westmoreland plant to schools in the vicinity, under the previous arrangement (**Table 4**). This represents a 396 per cent increase in daily delivery rates. From our review of the minutes of the Board meetings, we found no evidence that the Board, MoEYI or MoFPS approved the new rates under the centralised distribution arrangement. Therefore, we were not certain of the approval process for the increase and implementation of new rates for transportation and haulage services.

Table 4 Analysis of NPL's Contract Delivery Rates

School Destinations	Rates to deliver from Westmoreland Pant	Increased daily rates from Kingston	% change		School Destinations	Rates to deliver from Saint Mary Pant	Increased daily rates from Kingston	% change
Trelawny	15,492.09	32,077.00	107		Portland	15,492.09	32,570.00	110
Hanover	12,211.53	53,840.00	341		Portland	14,495.30	32,570.00	125
Westmoreland	14,373.88	53,840.00	275		Saint Ann	15,492.09	25,182.37	63
Westmoreland	10,850.40	53,840.00	396		-	-	-	-
Saint James	14,379.82	53,840.00	274		-	-	-	-
Saint James	15,492.09	53,840.00	248		-	-	-	-

Source: NPL's Budget 2014-15

¹³ Rate increase approved by Board April 30, 2015

2.18 NPL indicated that the change in the distribution logistics was influenced by MoEYI's directive to reduce the production units and the number of schools served by NPL. However, we found no evidence that NPL undertook a cost-benefit analysis to arrive at its decision, given the directive to reduce production outputs. NPL indicated that *"several economic analytical tools were available to use to determine how the company would organise production using whichever plant. It was abundantly clear that the Kingston plant was able to produce and deliver the requested target, possibly in one production run. Rather than engaging in these various economic analytical and time-consuming procedures to determine throughput, which would be a monumental waste of time, the decision was taken by the Board to produce and deliver from the Kingston facility"*.

2.19 MoEYI's failure to develop and implement cost reduction strategies prevented it from enabling efficiencies in plant and staff utilization. Further, implementation of the enterprise team to coordinate with MoEYI the formulation of an appropriate exit strategy for NPL towards divestment/privatisation, could have enabled a more efficient and cost-effective use of NPL's production plants and human resources. Minutes of an NPL Board meeting held January 18, 2021, indicated that *"the Development Bank of Jamaica will be assessing the entity with intent of evaluating whether or not NPL is delivering the best nutrition within the budget that is allocated. The option being looked at is to see whether the entity should continue as it is doing now or to have it divested into private hands"*.

NPL's Board failed in its governance and reporting responsibilities

2.20 The Corporate Governance Framework requires that every Public Body should be headed by an effective Board, which is collectively responsible for strategic management and oversight and serves as the focal point for corporate governance and is accountable to the responsible Minister. As part of an effective governance process, we expected the Board, in addition to overseeing NPL's administrative and operational processes, to pay keen attention to the effectiveness of NPL's internal controls and operational risk management activities in ensuring the achievement of NPL's objectives and mission. Providing strategic direction and maintaining effective internal controls and risk management mechanisms are basic responsibilities of the Board. However, we found no evidence that the Board was effective in its governance responsibilities in these key areas.

Little or no strategic guidance and risk management

2.21 Our review of the Board minutes for the five-year period, 2015-16 to 2019-20, revealed no evidence that the Board reviewed and approved NPL's strategic plans, or provided guidance on the how the entity would operate pending divestment. NPL provided unsigned strategic plans, which highlighted major tasks and related targets, with no deviation from prior years, suggesting that there is no expected change in the status quo of NPL's operations. We found no evidence that the Board requested and reviewed the achievement of Key Performance Indicators (KPIs).

In its response, NPL indicated that *"since the impending divestment of NPL and continuous disruptions of operations from instructions received from the MoEYI; Management's focus was operational rather than strategic. For the financial year 2018-19 NPL implemented and effected its five-point operational plan"*. However, it should be noted that NPL continued to receive subvention from the GoJ and received a total of \$5.5 billion over the period, 2015-16 to 2020-21, despite not having a strategic outlook.

2.22 We gleaned from the minutes of Board Meeting dated July 27, 2018, that MoEYI asked NPL to develop a business plan for the sale of its products in school canteens. However, having developed a draft plan and asked to refine said plan and determine its feasibility, informed by regional consultation with the schools, NPL failed to follow through on MoEYI's request. Also, there was no evidence that the Board undertook risk assessments to devise strategies to mitigate threats to NPL's financial and operational activities.

Deficiencies in NPL's Internal Control Mechanism

2.23 We found no evidence that the Board, as part of its oversight and governance responsibility, implemented adequate internal control mechanisms at NPL by conducting regular reviews to ensure their effectiveness. We noted a major deficiency in which for the past two years, the Board allowed one individual to perform the role of internal auditor and financial controller in short succession at various intervals, a practice, which compromised the effectiveness of NPL's internal control mechanism. In June 2019, NPL employed a Senior Internal Auditor and within three months, in September 2019, the officer was re-assigned to the post of Financial Controller, then in December 2019 reverted to the role of Senior Internal Auditor. Since October 2020, the officer reverted to the role of Financial Controller (**Table 5**). To maintain effective oversight of NPL's financial management, there must be a clear separation between the internal audit and financial management functions, to allow for independence and objectivity. Whereas the internal audit committee raised the matter as a conflict of interest, we noted that the then Board Chairman merely indicated that the officer will not conduct audits for the periods served as Financial Controller, demonstrating scant regard in maintaining an effective system of internal control¹⁴.

Table 5 Duties performed at various intervals

Period	Duties
June 7, 2019 - Sept 5, 2019	Performed duties as Senior Internal Auditor
Sept 6, 2019 – Dec 1, 2019	Performed duties as Financial Controller
Dec 2, 2019 – Oct 4, 2020	Performed duties as Senior Internal Auditor
Oct 5, 2020 – Present	Performed duties as Financial Controller

Source: AuGD compilation and analysis information obtained from NPL's records

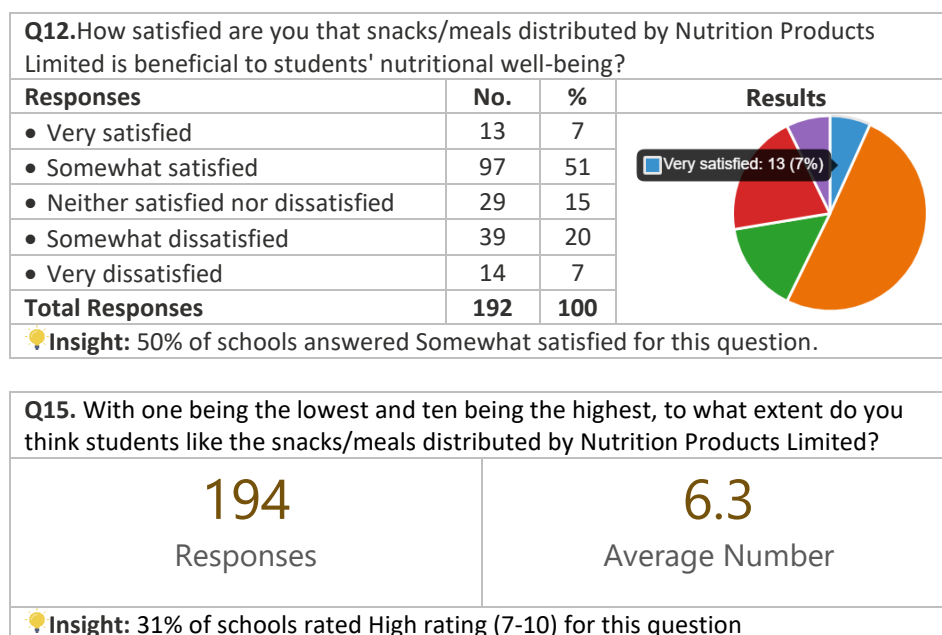
Lack of effective review of the achievement of NPL's mandate

2.24 In our 2012 report on NPL, we highlighted that NPL was failing in its main objective to “prepare and deliver nutritious meals for distribution to designated children”, because it did not conduct the required test for the 2009-10 to 2011-12 school years. Its failure to conduct these tests provided no independent assurance that the meals met the stated daily caloric intake of students. However, we noted an improvement in tests conducted by NPL through the Bureau of Standards Jamaica (BSJ) to determine the nutritional content of meals produced and distributed to schools. For the period January 2017 to July 2020, we noted 114 tests conducted by BSJ on various meals. Among these tests, BSJ conducted nutritional tests, usually at the beginning of the school term, to determine the nutritional value of the products. However, whereas BSJ conducted 40 nutritional analyses on meal produced by NPL, we found no evidence that NPL compared the results of the tests with an established standards set by MoEYI in conjunction with Ministry of Health and Wellness (MoHW) or recommended best practice.

¹⁴ Internal Audit Committee Meeting Minutes dated November 13, 2020

2.25 The objective of the School Feeding Programme is to provide one meal consisting of one solid and one liquid, which should comprise one third of the daily caloric requirement for each student. We noted that seven per cent of schools' administration that responded to our survey indicated they were very satisfied and 51 per cent somewhat satisfied with the meals provided by NPL. The other 42 per cent were neither satisfied nor dissatisfied, somewhat dissatisfied, or very dissatisfied, demonstrating mixed responses to the satisfaction level of NPL's meals. Only 31 per cent of schools' administration rated high the extent to which they think students like the meals distributed by NPL (**Figure 6**). The complete survey results are shown in **Appendix 1**.

Figure 6 Analysis of Survey Results



Source: AuGD's survey results

2.26 MoEYI indicated "no assessment could have been done to determine conformity with the nutrition standard since during the period 2014-2021, the National Nutrition Standards, was either not yet developed or unavailable for circulation. This National School Nutrition Standard was developed by the Ministry of Health and Wellness in 2019 in partnership with the MoEYI. This document will work alongside the National School Nutrition Policy (draft) on completion and approval by Cabinet"¹⁵. However, the MoHW food based dietary guidelines, recommend reduced intakes of sugary foods and drink, which are consistent with trends in health standards. However, the sugar content of NPL meals predominantly supplied during 2019-20 school year, was significantly more than the daily intake recommended by the World Health Organization (WHO), to which Jamaica is a member state. For example, the meal NPL served for breakfast consisted of a spice bun with pre-packaged porridge had a combined sugar content of 45 grams, while the meal served for lunch, which consists of a bulla and a fruit juice, had a combined sugar content of 40 grams, exceeding the WHO recommended daily intake by 20 grams and 15 grams,

¹⁵ MoEYI correspondent received January 28, 2021.

respectively (**Table 6, Appendix 3**)¹⁶. MoEYI indicated that the sugary content of bulla has been reduced and that NPL has tried to comply with the requirements of the MoHW. When asked how NPL can improve its meals offerings to students, our survey showed that some respondent cited the need to reduce the sugar content of products.

Table 6 Analysis of NPL's Meals Sugar Content

Programme	Meal served	Sugar content (grams)	WHO recommended daily intake
Breakfast	Spice bun	17	daily intake of free sugars to less than 10% of their total energy intake. A further reduction to below 5% or roughly 25 grams (6 teaspoons) per day would provide additional health benefits.
	Porridge mix	28	
Lunch	Bulla	19	
	Fruit juice (guava pineapple) *	21	

Source: Content Label - Meal Packages and *BSJ test report

Q17. How Nutrition Products Limited can improved its snacks/meals offerings?	
184 Responses	<i>Latest Responses</i>
	<i>"Reduce sugar content in snacks and introduce chicken soup, resend cheese bread and muffins"</i> <i>"if we could get it more regular and in more quantity"</i> <i>"It would be nice if we could get a variety of snacks instead of the buns every day. Milk would also do us well."</i> <i>"Continue the wraps, pink milk, banana muffins, cheese bread, make products tastier."</i>








Source: AuGD's survey results

2.27 Whereas our review of Board minutes revealed that the monthly reports of the Chief Executive Officer (CEO) were submitted, we noted that these reports provided no benchmarks, targets or KPIs against which actual outputs are compared to assess performance. Although the CEO's reports contained a summary of reports from the various departments showing monthly operational and financial outputs, except for the production and distribution departments, we saw no evidence of discussions related to the performance of key operational areas or reference to the strategic direction of the NPL. Further, we noted the absence of a board charter, setting out its roles, responsibilities as well as an annual review of the Board's performance and that of its committees and individual directors. These are fundamental prerequisites to enabling the overall effectiveness of a board of directors and would be reiterated in an orientation program, however there was no evidence that the Board underwent an orientation process.

¹⁶ WHO calls on countries to reduce sugars intake among adults and children.



Part Three Resource Management

 At A Glance			
Systems and practices	Criteria	Key Findings	Assessment Against Criteria
Duty of care exercised by Board of Directors	Ensuring greater level of due diligence to manage risks of conflicts of interest.	NPL entered business transactions with companies and individuals connected to members of the Board, in manner that ignored the rule of law and ethical value, raising issues of conflict of interest and unethical behaviour.	
Good procurement practices	Procurement of goods and services conforms to good practices.	NPL, in many cases, ignored the procurement rules and bypassed the procurement unit, demonstrating that it did not embrace fairness, transparency, accountability, and competition, which are basic requirements of good procurement practices.	
Robust Recruitment and selection processes	Recruitment and selection process consistent with good practices.	NPL's recruitment and selection process was not always consistent with good practices, its own employment and recruitment policy and related circulars issued by the MoFPS.	
 MET the criteria  Improvements needed  Did not meet the criteria			

Connected parties engaged to provide services at a cost of \$110 million without due diligence

3.1 We consider a connected party as an individual or entity closely associated, whether directly or indirectly, to NPL's directors or anyone discharging managerial responsibilities. Connected party transactions are not prohibited by law, but these transactions are likely to create potential conflicts of interest¹⁷. Therefore, it was necessary for NPL to manage this risk by ensuring a greater level of due diligence, including strict adherence to the procurement law, and demanding ethical requirements for full disclosure, to demonstrate openness, fairness, and transparency in the engagement process. Also, as part of good governance, the Board of Directors collectively, as well as its members individually, should exercise a duty of care, in keeping with its fiduciary responsibility, by making decisions that will always benefit the interest of NPL. In doing so, the Board of Directors should act in good faith by adhering to legal requirements and upholding ethical principles in making decisions that will enable NPL to meet its business objectives¹⁸. Instead, we found instances in which NPL breached the procurement law in the way in which it engaged service providers. Further, board members acted contrary to ethical standards

¹⁸ **Business Objective:** To produce and distribute meals to schools at the lowest possible cost.

and fiduciary responsibility by failing to disclose connected party relationships, increasing the risk of conflict of interest.

3.2 NPL engaged companies and individuals connected to members of the Board and management staff to provide transportation and haulage, repairs and maintenance, and sanitation services. The value of the transactions with connected parties amounted to \$110 million, representing 12 per cent of the \$904 million paid for these services, between 2016-17 to 2020-21, based on the sample of transactions we examined (**Table 7**). Whereas the invoices submitted by the service providers for individual tasks might not have exceeded the threshold to require competitive selection process, the service providers were engaged on a continuous basis for sums, which, when aggregated, exceeded the threshold requiring a competitive bidding process. The piecemeal approach used by NPL in engaging the service providers to carry out these services circumvents the procurement process. Due to the continuous nature of the works, we expected NPL to utilize a competitive approach to engage the service providers, enabling value for money.

Table 7 Value of Payments Made to Connected Parties 2016-17 to 2020-21

Nature of Service	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	Total \$'000	Connected Parties \$'000	%
*Contract Deliveries	76,498	69,217	99,842	117,103	11,767	374,427	19,764	5
Haulage/Transportation	4,173	5,812	9,275	19,520	1,953	40,733	28,541	70
Repair & Maintenance	66,386	79,564	69,945	91,046	72,955	379,896	48,021	13
Sanitation	19,300	18,119	22,241	19,994	29,680	109,334	13,809	13
Total	166,357	172,712	201,303	247,663	116,355	904,390	110,135	12

*Contract Deliveries: Distribution of meals to schools

Source: AuGD analysis of payments made to individuals and companies connected to NPL's Board Members

3.3 The process used by NPL to select companies and individuals to provide various services was inconsistent with good governance and procurement practices. Principle 17 of the Corporate Governance Framework for Public Bodies requires that all board members on first appointment, and at any time when circumstances dictate, should, in good faith, disclose to the Board, for recording and disclosure to external auditors, any business or other interests that are likely to create a potential conflict of interest¹⁹. Our investigations revealed that Board members either failed to disclose or were not transparent in how they disclosed their relationships with connected parties. In the interest of fairness and transparency, full disclosure is required to reveal connected relationships before entering business transactions with related parties. The number of instances in which NPL entered business transactions with companies that were either directly or indirectly connected to board members without proper due diligence to manage the risk of conflict of interest, demonstrated a systemic problem (**Appendix 4**).

Companies linked to Board Chairman benefited from \$69.6M in transportation services

3.4 NPL paid \$374 million, between 2016-17 and 2020-21, to independent contractors to deliver meals to schools daily. Prior to 2017-18, the way NPL maintained payment information, prevented us from readily identifying the contractors that were paid for delivery services. For the period 2017-18 to 2019-20, NPL engaged the services of approximately 70 contractors who received payments totalling \$266.7

¹⁹ Under the Heading Board Information and Disclosure

million. We sampled 26 of these contractors whose individual payments, between 2017-18 to 2020-21, exceeded four million. These 26 contractors received the lion's share, \$232.5 million (87 per cent), of the total payments made to the 70 contractors over the four-year period. We sought to determine if the award of these contracts were in keeping with the procurement guidelines by embracing the principles of fairness, accountability, and transparency, which are fundamental tenets of good procurement practice. However, we found that NPL's method of selecting independent contractors to deliver meals to schools and provide haulage and other transportation services was not in keeping with the procurement guidelines or good procurement practices.

3.5 We examined files for each contractor and found no evidence of the process by which NPL solicited their services and the method used to evaluate, select, and assess their performance (**Appendix 5**). The procurement guidelines established the process and methods to be used in soliciting, evaluating, and selecting contractors, based on the nature and value of the works. However, the absence of transparency in the process demonstrates that NPL did not adhere to the procurement guidelines to ensure fairness and transparency in the engagement process. For example, we noted that NPL directly contracted a distribution company to deliver snack to schools. The distribution company used three trucks to deliver the meals to schools and was paid \$19.7 million, between 2017-18 and 2020-21. NPL also used the distribution company to provide other haulage and transportation services, under a service level agreement with MoEYI, to deliver books, resource materials and furniture to schools island wide. We were not able to distinguish the amount paid to the distribution company under this agreement. Notwithstanding, the distribution company received \$28.5 million, representing 70 per cent of the \$40.7 million paid for other haulage and transportation services, bringing the total payments to the distribution company to \$48.2 million over the four-year period.

3.6 Inclusive of \$48.2 million, further analysis of payment records revealed that NPL made payments totalling \$69.6 million to the distribution company, since November 2010. Our investigations also revealed that an investment company owned the three trucks used by the distribution company. We found that the then Board Chairman was a director and shareholder of the investment company and a former director of the distribution company, having ceased that directorship in 2017. The Chairman was first appointed to the Board from 2007 to 2013 and again in 2017 to December 2020. We noted that payments to the distribution company stopped in 2013, when the first tenure ended, and restarted in 2017. The Chairman's relationship with both companies was further highlighted in a context where we noted that the business address used by the Chairman on the distribution company's registration documents was the same as the registered address for the investment company. From our review of the Board minutes, we found no evidence that the Chairman disclosed the interest and relationships with these companies and NPL did not provide evidence of this disclosure. NPL's Delivery Contractors Policy requires contractors to provide proof of ownership or a valid lease agreement for the vehicles. We noted that the distribution company provided only a two-year lease agreement with the investment company, for the period September 2013 to August 2015 relating to one truck. The accountant for the investment company and a director for the distribution company signed the lease agreement.

3.7 Disclosure was necessary, given that the Chairman who holds a position of significant influence in NPL, would be party to any action and decisions taken, to select the contractors, assign delivery logistics and routes and determining the rates paid to the contractors. However, the non-disclosure went against the ethical principles of good governance to embrace accountability and transparency and would not be in keeping with the fiduciary responsibility. This was in the context where the contractor, connected to

the Board Chairman, was assigned delivery routes with the highest rates. Also, when NPL took the decision to centralize the distribution of meals from the Kingston plant, the distribution company was the only haulage contractor assigned to perform shuttle services to transport meals produced at the Westmoreland, and Saint Mary plants to the Kingston plant. The former Chairman's participation in the decision to centralize the distribution and the distribution company performing the shuttle service, not only highlights the risk of conflict of interest, but also was inconsistent with good ethical standards and practices. Also, the former chairman would have allowed NPL to take a decision for which the cost effectiveness is debatable. In addition, the risk of conflict of interest was further highlighted given that the Board Chairman appointed himself the Chairman of the Procurement and Contracts committee for which he served between March 2017 and December 2020, in contravention of the procurement guidelines²⁰.

3.8 NPL engaged delivery contractors for three-month interval during each school year²¹. Whereas we saw signed contracts for the periods April to July 2018, NPL did not provide evidence of the contracts for any other periods, except for September to December 2019. However, the contracts were unsigned and so it was unclear that NPL had current contracts for its independent contractors. Further, we found no evidence that NPL evaluated the contractors against the performance standards in its policy to ensure that service delivery met the agreed standards. In addition, the absence of contracts, restricted NPL's ability to hold the contractors to performance standards.

Company linked to Board Member benefited from \$13.8M for Sanitation Services

Sanitation Services

3.9 We found that NPL paid a company \$13.8 million, between August 2019 and April 2021 to provide janitorial services. Our investigation revealed that a director and shareholder of the company was the former spouse of a current director on NPL's Board, who was initially appointed to the Board in February 2017. The Director was also a member of NPL's procurement and contract and finance planning committees, suggesting that the Board member may have significant influence. We found no evidence from the minutes of the Board meeting that the Board member disclosed the nature of the relationship with the director and shareholder of the company. NPL first engaged the contractor in June 2019, following a bid selection process, which commenced in August 2018 that was aborted by NPL on two occasions, in November 2018 and then again in April 2019. **Appendix 6** shows the sequence of events leading to selecting the contractor as recorded in the minutes of meetings of the procurement and contracts committee.

3.10 In June 2019, NPL selected the company, from among five bidders, which included the existing service provider. The five companies submitted bids in May 2019. NPL indicated that it did not consider the bid for the existing service provider based on the mode of submission, which was not in compliance with the criteria outlined in the letter of invitation. NPL did not provide the bidding documents for the existing service provider, and the minutes did not reflect the basis on which NPL did not consider favourably the other three contractors. However, we noted that the minutes indicated that "the evaluation committee was charged on May 30, 2019, to carry out its function using the least cost method."

²⁰ GOJ Handbook of Procurement Procedures Volume 1 Section 2.2.5 (h) "the Chairman of the Board and the Head of the Procuring Entity shall not sit on the Procurement Committee."

²¹ September to December, January to April and April to July

As shown in **Table 8**, we noted that the company connected to the Board member submitted the bid with the lowest cost. On that basis, the evaluation committee, on June 3, 2019, recommended that the contract be awarded to that company. It was further noted in the minutes that “a procurement meeting was held on June 10, 2019, to facilitate the approval of awarding said contract to (name redacted).” It was noted that this was treated as a matter of urgency to eliminate NPL issuing a further extension letter to the existing contractor.

Table 8 Analysis of bids for Janitorial Services

Documents Requested/ Information Requirement	Bidder #1 Name redacted	Bidder #2 Name redacted	Bidder #3 Name redacted	Bidder #4 Name redacted	Bidder #5 Existing service provider
NCC Registration	✓	✓	✓	✓	Not provided
Tax Compliant Certificate (TCC)	✓	✓	✓	✓	Not provided
Certificate of Registration	-	-	-	✓	Not provided
Quotation (Based of scope of work – Kingston Plant: Comparable \$5,330,340)	\$3,583,704	\$3,594,286	\$5,442,442	\$8,258,250	Not provided
Plus GCT	\$4,291,861	4,304,535	\$6,517,895	9,890,000	Not provided

Source: NPL's Procurement files

3.11 NPL contracted the company on June 12, 2019, to provide janitorial services at the Kingston plant up to June 24, 2020. After signing the contract, NPL gradually increased the scope of work resulting in the annual value of the contract increasing to \$18 million from \$3.6 million (**Table 9**). However, in the minutes of the procurement and contracts committee meeting held May 17, 2019, it was stated that the reasons for abandoning the process, initially, was due to the concept of utilizing few of the production staff for internal sanitation/cleaning. We noted that after the award of the contract, NPL backtracked on its initial plans and indicated that “based on the implementation of the Breakfast Programme, the production workers will not be able to continue sanitation activities in the Production Area. As such, the existing contractor was asked to provide a quote for the additional duties to be undertaken²²”.

Table 9 Increase in scope and value of work

Details	Date	Monthly Value \$	Annual Value \$	Cumulative increase	Percentage increase
Initial Contract (Kingston Plant)	June 12, 2019	307,000.08	3,684,000.96	-	-
Additional Works (Kingston Plant)	February 21, 2020	361,901.08	4,342,812.96	8,026,813.92	118%
Extension of Scope (Westmoreland Plant)	March 5, 2020	425,000.00	5,100,000.00	13,126,813.92	64%
Extension of Scope (Saint Mary Plant)	March 8, 2020	420,000.00	5,040,000.00	18,166,813.92	38%
Total Value	-	1,513,901.16	18,166,813.92	-	-

Source: NPL's Procurement files

3.12 Further, in March 2020, NPL extended the scope of the works to include the Saint Mary and Westmoreland plants. NPL implemented this new arrangement approximately four months before the expiration of the contract on June 24, 2020. We noted that NPL started discussions with the company for the provision of additional works in August 2019. We saw no evidence where NPL justified the

²² Procurement and Contract Committee Meeting Minutes - January 17 2020 and February 21, 2020, Board of Directors Minutes - January 24, 2020

increased scope of work, given the significant reduction in its outputs, at all three production plants, which resulted in staff underutilization, notwithstanding, implementation of the Breakfast Programme. For procurement of goods, works and general services, the procurement guidelines require that “once the cumulative value of the variations exceed 50 per cent of the original contract sum, all approved variations shall be reported to the NCC, with a supporting letter from the Permanent Secretary within 21 calendar days of the approval of the Head of the Procuring Entity²³”. However, we found no evidence that NPL complied with this requirement.

3.13 In the minutes of the meeting of the procurement and contracts committee held May 15, 2020, NPL indicated that the first contract would expire on June 24, 2020. Based on the minutes of the meeting held on June 19, 2020, NPL indicated that the procurement process for the provision of janitorial services for all three plants commenced on May 30, 2020, where the local competitive bidding process was used. We noted from the minutes that four contractors purchased bidding document, but only the company connected to the Board member submitted bid and was again awarded the contract, at a value of \$12 million (**Table 10**).

Table 10 Analysis of NPL’s Comparable Estimates and Contractor’s Quotation

Plants	Comparable Estimate	Sanitary Removal	
		Monthly Value	Annual Value
Kingston	\$5,960,858.53	\$444,909.60	\$5,338,915.20
Westmoreland	\$3,950,000.00	\$290,000.00	\$3,480,000.00
St. Mary	\$3,950,000.00	\$290,000.00	\$3,480,000.00
Total	\$13,860,858.53	\$1,024,909.60	\$12,298,915.20

Source: NPL’s Procurement files

3.14 We noted that the minutes of the meetings, on both occasions, indicated that the board member left the procurement and contracts committee meeting and did not participate in the discussions leading up to the decisions on selection, suggesting that the board member may have disclosed to the committee, the connected party relationship²⁴. However, such disclosure must be explicitly made to the Board for recording in the interest of fairness and transparency. We found no indication in the board minutes that the board member disclosed the connected party relationship. The connected party relationship by itself could raise public concerns of conflict of interest. Therefore, it was necessary for NPL to manage this risk, given that the board member would have had first-hand knowledge, being a member of the Board and the procurement and contracts committee, and would be privy to information which could be used to gain an unfair advantage.

Repairs and maintenance of buildings and machinery

3.15 We noted that NPL generally outsourced its maintenance and repairs works to external service providers. Over the period 2016-17 to 2020-21, NPL paid \$379.8 million to various service providers to repair and maintain its buildings and machinery at the Kingston, Saint Mary and Westmoreland plants. We found no evidence of a formal process used by NPL to procure the services of these contractors. Our analysis of payments made to these service providers showed that NPL paid sums totalling \$93.1 million to a maintenance company and an individual to provide repairs and maintenance services, over the period

²³ GOJ Handbook of Public Sector Procurement Procedures Volume 2, March 2014, Section 1.5 (1.5.3)

²⁴ Minutes of Procurement Meeting dated June 21, 2019 and September 18, 2020

2016-17 to 2020-21. This amount represents 25 per cent of the \$379.8 million paid for these services over the period. Of the \$93.1 million, NPL paid the maintenance company \$48 million for repairs and maintenance of buildings and machinery, fixtures, supply of equipment and construction of a perimeter wall. Our review of the maintenance company registration information retrieved from the Companies Office's records, suggests the possibility of a connection between the former Board Chairman and the maintenance company. In that, the investment company, which the former Board Chairman is a director and shareholder and the maintenance company bear the same address. Also, the business contact email for the maintenance company bore the email address of the former chairman.

3.16 NPL paid a retail and distribution company \$4.2 million to provide printing and office supplies, between February 2016 and May 2017. Our investigation revealed that NPL's former Chief Executive Officer (CEO) was a director and shareholder of this company, demonstrating a systemic problem wherein NPL enters business transactions with companies connected to senior staff and board members without due process.

Unplanned approach to repairs and maintenance did not ensure value for money

3.17 The unstructured way in which NPL engaged service providers to carry out these types of works, suggests an unplanned approach to its general repairs and maintenance of buildings, plant, and machinery. NPL paid \$45.9 million to an individual to carry out works, including masonry, carpentry, welding, plumbing, painting and drain cleaning, between April 2017 and November 2020²⁵. NPL paid the individual an average \$1 million per month based on invoices relating to 135 purchase order raised over the period. As shown in **Table 11(a)**, in one month, February 2020, NPL raised six different requisitions and made payments totalling \$1.9 million to the individual to carry out various works at its Kingston plant. Similarly, NPL paid the same individual another \$1.8 million for works related to seven requisitions raised in June 2020 **Table 11(b)**.

Table 11(a) Analysis of Requisitions Raised for works

No.	Service Description	Requisition	Purchaser Order	Payment	\$
1	Dig up and replace tiles in production storage room	Feb. 10, 2020	Feb. 20, 2020	Feb. 21, 2020	430,000
2	To prep and paint customer service & Procurement manager office	Feb. 12, 2020	Feb. 20, 2020	Feb. 21, 2020	113,000
3	Dig out, cast, dress, and steel float areas in factory	Feb. 14, 2020	Feb. 28, 2020	Feb. 28, 2020	352,000
4	Labour & Material: To replace several flapper balls, reseal toilets, remove 15 faucets, install foot operating pedals, and remove several shower head in bathroom	Feb. 14, 2020	Feb. 28, 2020	Feb. 28, 2020	331,966
5	To repair ceiling in warehouse	Feb. 20, 2020	Mar. 13, 2020	Mar. 13, 2020	398,000
6	To dig up sandwich room, tile and cast away debris	Feb. 28, 2020	Mar. 25, 2020	Mar. 26, 2020	228,000
TOTAL		-	-	-	1,852,966

Source: AuGD's analysis of information obtained from NPL's payment records

²⁵ The individual also received payments, between August 2010 and January 2012, totalling \$2,805,406.

Table 11(b) Analysis of Requisitions Raised for works

No.	Service Description	Requisition	Purchase Order	Payment	\$
1	Frame, cast and dress columns for containers.	June 1, 2020	June 22, 2020	June 25 2020	228,000
2	*Cast decking, flash, and dress	June 5, 2020	June 12, 2020	June 12 2020	320,000
3	Dig up broken tiles and replace with new tiles in the administration office then cart away rubbles	June 12, 2020	Aug 12, 2020	Aug. 13 2018	198,000
4	Clean blockage in sewer system and cart away waste	June 16, 2020	June 19 2020	June 19 2020	237,000
5	To patch out several areas in the factory	June 17, 2020	June 26, 2020	June 26 2020	198,000
6	To clean and paint 34 extractor fan & 32 ceiling fan, (2) to clean all gas pipe and paint in egg room, quality control and production area	June 26, 2020	July 09, 2020	July 10 2020	427,000
7	*To remove old chain link fence and replace new one.	June 30, 2020	July 03, 2020	Jul 3 2020	238,000
TOTAL		-	-	-	1,846,000

*Westmoreland and Saint Mary Plant

Source: AuGD's analysis of information obtained from NPL's payment records

3.18 Also, NPL paid \$379.8 million for repairs and maintenance between 2016-17 and 2020-21. We noted that NPL relied on external service providers to carryout repairs and routine maintenance of its plant and machinery, instead of utilizing its internal technicians. NPL's job description for maintenance technicians, assigned to its maintenance and safety department, requires technicians to perform mechanical and electrical repairs on equipment (**Table 12**). We found no evidence that NPL assessed the cost-effectiveness of using the services of external service providers vis-a-vis its in-house maintenance technicians. Consequently, we were unable to determine the basis on which NPL would have outsourced most of its repairs and maintenance works while having a fully staffed maintenance department.

Table 12 Maintenance Technicians – Job Description

No.	Duties and Responsibilities
1	Make regular checks on machinery according to a planned schedule
2	Repair breakdowns on machines and equipment effectively and efficiently
3	Check and calibrate instruments to standard
4	Replace parts on equipment as part of a routine maintenance plan
5	Assist with machinery and equipment installations when necessary
6	Assist with electrical and mechanical improvements to plant and equipment
7	Work closely with Shift Managers/Supervisors to increase availability and effectiveness of equipment
8	Ensure that maintenance work is completed on time, to set standards
9	Assist in the commissioning of equipment
10	Ensure that any concerns, with equipment, which may affect production is communicated to Shift Managers/Supervisors in a timely manner

Source: NPL Job Description for Maintenance Technicians

3.19 Of the \$379.8 million paid over the review period, NPL paid an individual \$49.2 million, between 2017-18 and 2020-21, to undertake repair and maintenance works, many of which should have been performed by its internal maintenance technicians based on their job descriptions. NPL entered a contract with the individual to provide general maintenance services and or repairs of various equipment. The contract outlined duties, similar in nature to the duties of the inhouse maintenance technicians. In one month, July 2019, NPL paid the individual \$3.8 million to carry out general maintenance services on equipment.

3.20 NPL has a general preventative maintenance programme, which outlines the frequency of repairs and maintenance for each machinery and equipment. However, NPL did not faithfully maintain work plans, check lists, maintenance schedules and logs, for us to determine the extent to which the technicians carried out their duties and responsibilities. For example, the maintenance technicians, should, among other things, make regular checks on machinery according to a planned schedule, however, we found no evidence of the frequency of checks and the related schedules. Also, we found no evidence of repair work plans and schedules to indicate the type and nature of repairs done to the plant and machinery and whether instruments were calibrated to standard. NPL indicated that, *“The maintenance technician performs their daily and weekly checks as is required. The daily logbook is used to capture this information along with any occurrences. Over time, these logs have not been updated timely and measures are now in place for this to be done”*.

3.21 NPL also noted that *“in the event general service and repairs are required, external service providers are engaged because of their expertise and experience. Our maintenance technicians, play a part in getting these machinery and equipment into service by ensuring that the service and repairs that are done have maintained or improved the level of performance. For the extent of the repairs and service required, NPL technicians do not have the specialization nor the tools necessary to effect these servicing or repairs. Machinery and equipment serviced by the external contractors are assessed, disassembled, repaired and given general servicing”*. However, this was not consistent with NPL’s maintenance job description, which indicated that maintenance technicians *“are responsible for ensuring the continuous running of machinery and equipment, performing routine maintenance procedures and carrying out repairs to required standard. The work involves the maintenance of production machinery, office equipment and utility supply to the plants. The maintenance responsibilities may be planned, preventative or as a result of an emergency or breakdown”*. There is no evidence that NPL sought to acquire the specialised equipment needed or develop the skills of its in-house technicians in a context where NPL’s records showed that it paid \$192 million to external service providers to maintain its machinery and equipment between 2016-17 and 2020-21.

NPL’s procurement activities often bypassed procurement process

3.22 Our review of NPL’s payment files indicated that the procurement manager in many instances did not play an active role in the procurement of services for the repairs and maintenance to plant, machinery, and buildings. We found 70 instances, where service providers invoices totalling \$13.7 million predated the requisitions and purchase orders, indicating that the work was executed prior to authorization. We noted that the procurement manager’s involvement in the process was limited to signing the purchase orders, which were prepared after the services were already provided. In these cases, NPL would have diverted from the normal control procedure for requisitions to be authorised and submitted for the procurement unit to source the suppliers.

3.23 Further, NPL did not maintain individual files for most service providers containing adequate evidence of contracts, their business registration and tax compliance status and proof of their experience and competencies to undertake the services. For example, we requested files for 15 equipment maintenance service providers, but NPL only provided the preventative maintenance agreement for three. At no time did NPL use a competitive process to select the service providers and, on that basis, NPL could not assure itself that it obtained value from the monies spent.

3.24 NPL indicated that its equipment has surpassed their useful life and that continuous use of these aged machinery and equipment requires constant maintenance to keep up with rigorous production demands. NPL further noted that *“when repairs are undertaken out of normal office hours, external service providers would be engaged to quickly resolve these issues”*. In this context, *“requisitions and purchase orders would not be generated until after emergency repairs are undertaken”*. NPL did not indicate how many of these repairs and maintenance activities were done on an emergency basis. However, we noted in many of these instances, the works related to general servicing, based on the invoice descriptions, which have been included in its preventative maintenance schedule. Also, NPL paid \$16.9 million to a company to provide pest control services, between May 2018 and December 2020. NPL did not use a competitive process to select the company and did not have in place a contract, setting out the terms and conditions under which the service provider was engaged and to determine performance standards. The absence of a transparent process in selecting this company prevented us from determining the basis on which NPL selected the company to provide this service.

NPL's Recruitment practices for some management positions lacked transparency

3.25 As part of good human resource management practices, we expect NPL to employ a robust mechanism for the selection and employment of employees, especially in key management positions. However, we found that NPL's recruitment and selection process was not always consistent with best practices, its own employment and recruitment policy and related circulars issued by the MoFPS. We expected NPL to first advertise vacancies, shortlist and conduct interviews to select the best candidates who demonstrate and possess the qualifications, competence, knowledge, and skillsets to contribute to NPL's operational efficiency. Further, we expect NPL to maintain records of its recruitment and selection process for transparency and accountability. We reviewed the recruitment process for 12 managerial staff and noted that NPL did not advertise the vacancies for five positions. In eight instances, NPL employed individuals who either did not meet the minimum qualification or experience required for the positions (**Table 13**). Except for the Chief Executive Officer and the distribution supervisor, none of the other individuals subsequently attained the minimum qualification for the positions.

Table 13 Analysis of Employment of Senior Staff

No.	Positions	Date of employment/ promotion	Termination Date	Position Advertised	Met Qualification	Met Experience
1	Chief Executive Officer CEO	01/12/2018	Present	X	x	x
2	Production Manager	04/12/2017	Present	X	√	x
3	Human Resource	02/08/2017	31/Mar/2020	X	x	√
4	Warehouse & Distribution Manager	03/01/2020	Present	X	x	x
5	Procurement and Contract Manager	06/02/2019	Present	√	√	x
6	Safety and Security and Maintenance Manager	02/10/2017	Present	√	x	x
7	Assistant HR Manager	01/10/2019	Present	√	√	√
8	Customer Service Officer 1	01/10/2020	Present	√	√	√
9	Customer Service Officer 2	05/10/2020	Present	√	√	√
10	Shift Manager	09/11/2020	27/Nov/2020	√	√	√
11	Quality Assurance Officer	04/12/2017	Present	√	x	√
12	Warehouse Supervisor	12/01/2020	Present	X	√	x

Key X – Not Met √ - Met

Source: Information obtained from NPL Employee files

3.26 Of note, the position for human resource manager required a Bachelor of Science degree in social sciences, majoring in human resource management and industrial relation with at least six years work-related experience at a middle or senior level. However, we noted that the human resource manager who was employed in August 2017, only possessed six subjects at the General Certificate of Education (GCE) level. Similarly, the position for Warehouse and Distribution Manager requires a bachelor's degree either in logistics, supply chain management, management studies, public administration or equivalent, but the individual only possessed nine subjects at the Secondary Education Certificate level and a one-year certificate in supervisory management (**Appendix 7**).

3.27 NPL acknowledged that the Warehouse and Distribution Manager did not meet the minimum qualification, but noted that the individual possessed the skills, knowledge and attributes required. NPL further indicated that the manager is enrolled in a bachelor's programme, in production and operations management, since September 2020. However, we noted that three months after appointment to the position, the first performance evaluation of the Warehouse and Distribution Manager, dated April 8, 2020, indicated that *"the individual did not demonstrate the ability to function as a department head and it was recommended that the individual should discontinue in the position of Warehouse and Distribution Manager"*.

3.28 Also, NPL applied payment terms to 13 individuals in an unusual manner, which was not in keeping with the Staff Orders for the Public Service, resulting in unauthorised payments of \$4.1 million as at December 2020. Section 6.3 of the Staff Orders states, "upon first appointment, an employee is normally paid at the minimum point of the salary scale for the position for which he/she is employed. In special circumstances, a higher point in the salary scale may be approved by the appropriate authority". However, NPL paid four of these individuals at the last point in their pay scale shortly after being engaged, which resulted in a \$1 million unauthorised payments (**Table 14**). NPL neither provided the special circumstances, which would have influenced the decision to pay the individuals at the last point in the salary scale nor evidence of approval from the Board or MoFPS. NPL paid the other nine individuals at incorrect job classification, resulting in unauthorised payments totalling \$3.1 million to seven individuals who were paid at higher grades and underpayments totalling \$310,000 to two individuals who were at lower grades than the grades assigned to their established post.

Table 14 Analysis of movement of employees in salary scales

Position	Date of engagement in role	Point in Salary scale at Engagement
Asst Human Resource Officer	01-Oct-19	8th Point
Asst Human Resource Officer	02-Sep-19	8th Point
Distribution Supervisor	29-Jan-20	8th Point
Production Manager	03-Jan-20	8th Point

Source: AuGD's analysis of information from NPL's employees' file

3.29 MoFPS requires that to achieve public sector efficiencies while maintaining fiscal discipline, several guidelines must be followed, one being that MDAs and Public Bodies should contain employment within their approved establishment²⁶. We however noted that NPL engaged 10 individuals on contracts, in posts that were not within the approved establishment, without the approval of the MoFPS resulting in unauthorised salary and allowance payments totalling \$14 million, over the period April 2016 to

²⁶ MoFPS Circular #15 dated July 1, 2016, Revised Guidelines for the Operation of Post in the Public Sector

December 2020. In addition, there was no evidence that these positions were advertised, or interviews conducted for seven of these individuals.

Engagement of Consultant to perform human resource management functions

3.30 In the first instance, the Board made a management decision to employ the Human Resource Manager without the required qualification and technical competence. NPL then took the decision to engage a consultant to assist with a proposed reorganization as well as to undertake similar functions assigned to the Human Resource Manager (**Table 15**).

Table 15 Human Resource Consultant Contract Functions

Contract Period January 2019 to July 2019
Preparing for the reclassification exercise to be conducted by the Ministry of Finance and Public Service.
Ensuring that job Descriptions exist for all positions and that their format is consistent.
Correlating the annual employee data on employment in the public sector for the Ministry Finance and Public Service.
Training the respective person on the Job
Assist with the development of NPL Health and Wellness Club
Assist with the development of the staff recognition programme
Any other duties which may deem relevant to this engagement.
Contract Period August 2019 to February 2020
Observing the day-to-day operation of the HR Department
Identifying challenges and strategic objectives
Organizing training programme based on needs assessment
Assist with disciplinary hearings
Assist with reorganization of the entire organization
Assist with implementation of the reorganized Accounts, and Human Resource, Distribution, and warehouse Departments

Source: NPL HR Consultant Contract

3.31 NPL engaged the Consultant under two contracts for the periods January 2019 to July 2019 and August 2019 to February 2020. We were not certain how NPL justified the engagement of the Consultant to undertake a proposed reorganization, given the 2018 Cabinet Decision to pursue the divestment of NPL and the subsequent reduction in NPL's operational outputs and underutilization of staff.

3.32 Our review of payment records revealed that NPL paid the Consultant \$3.3 million for the period February 2019 to July 2020. From our review of the minutes of the Board Meetings, we found no evidence that a proposal or request was submitted to the Board, MoEYI or MoFPS for review and approval, prior to the engagement of the Consultant on both occasions. Also, we found no evidence that either the procurement committee or the evaluation committee were involved in the process to engage the Consultant. Notwithstanding, we noted that the CEO signed the initial contract engaging the consultant, while the procurement and contract manager signed the second contract.

3.33 Without the benefit of the Consultant's final report proposing the reclassification exercise, we noted that NPL, in a letter dated May 29, 2020, made a submission to MoEYI and MoFPS for the reclassification and upgrading of 22 posts. In its response to NPL, via letter dated July 22, 2020, MoEYI highlighted that *"the submission does not include any costings or classification schedule for the revised structure; the proposed structure does not properly identify new from existing posts; the jobs are inconsistent in how they are written and may affect the classification/upgrading; and there is no analysis of why the structure has changed and the need for reclassification/upgrades or new posts"*. MoEYI further

indicated that the information was required for submission to the MoFPS. Considering the above, MoEYI asked that the submission be withdrawn, amended and resubmitted.

3.34 We noted that NPL, since August 2019, upgraded five of the posts, which were included in the submission to MoEYI and MoFPS for approval. The request for retroactive approval from the MoFPS was denied. These deficiencies in NPL's recruitment practices and salary approval processes represent a major breakdown in the human resource management function, which would have contributed to the level of operational and managerial inefficiencies identified at NPL.

NPL paid \$7 million to an individual for taking minutes at board and management meetings

3.35 From April 2017 to January 2021, NPL made payments to an individual totalling \$7.4 million, which averaged \$1.8 million per year for the purpose of recording minutes at board of directors, sub-committees, and management meetings. The payments also included reimbursements for travel expenses and printing. We were not certain how NPL justified the engagement of an individual unrelated to NPL to record and prepare minutes of meetings. This in a context where an executive secretary and a senior secretary were on staff at NPL and where the CEO's executive assistant performed the duty between June 2010 to January 2016. We gleaned from the minutes of Board meeting dated March 9, 2017, that the former chairman introduced the individual to the Board as the recording secretary. We found no evidence of the procurement process followed to engage the individual, neither was there any evidence of the professional qualifications and competence of the individual to perform this service.

3.36 However, our investigation revealed that the individual was an employee of the investment company of which the former chairman was a director and shareholder. Of note, all invoices submitted by the individual reflected the same address of the former chairman's personal business. In the absence of an engagement contract, we were uncertain of the basis on which the individual's pay rates were determined, underscoring the lack of transparency of NPL's recruitment process. MoFPS approved stipend payments of \$2,500 per meeting only to secretary of audit committees in Ministries, Departments and Agencies (MDAs). However, in any case where secretarial service is being outsourced, the chairman must submit in full, details of the engagement to the Compensation Unit of the MoFPS to determine the payment²⁷.

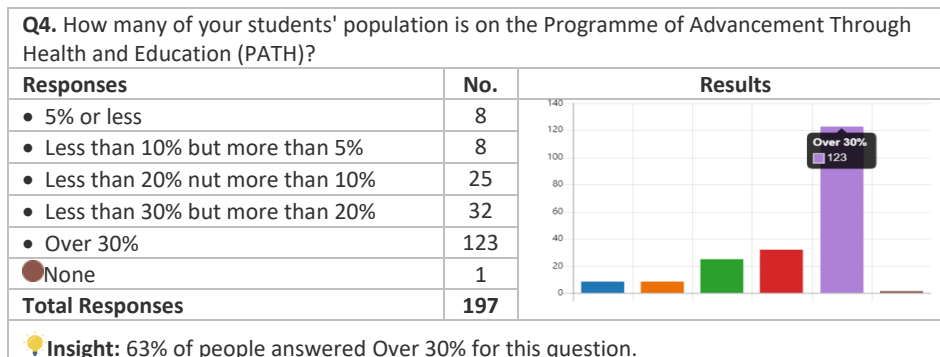
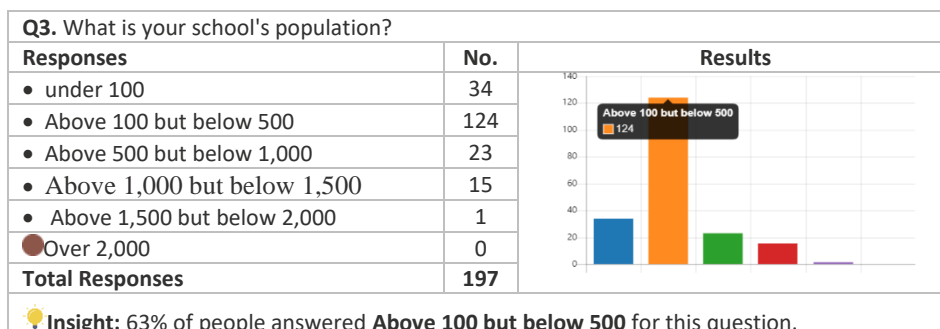
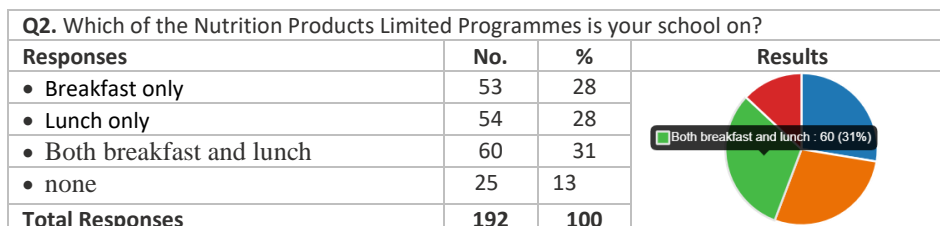
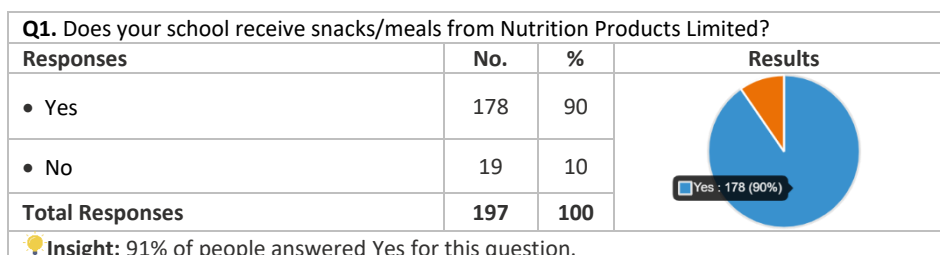
3.37 NPL initially paid the individual at a rate of \$12,000 for each minute and in October 2019, increased the rate to \$15,000, which is \$3,000 more than the rate paid to members of the Board. The individual was also paid additional sums of \$2,800 for travelling for each visit to NPL and \$9,000 for print cartridge each month. We observed a note on the invoice for the month of October 2019, reflecting the increase, that the financial accountant indicated *"Approved as discussed with Chairman (name redacted)"*. The Chief Executive Officer also signed the invoice. From our review of the invoices submitted for payments and minutes of related meetings, we noted that the individual attended on average, 10 meetings each month reflecting an average monthly payment of \$160,000 over the period April 2017 to January 2021. Since the appointment of a new Board, in December 2020, we noted that at its first meeting, held January 18, 2021, the Board reverted to using NPL's secretary to take the minutes of meetings.

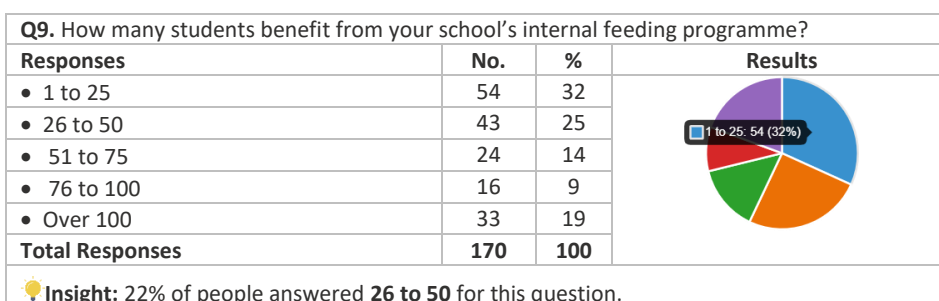
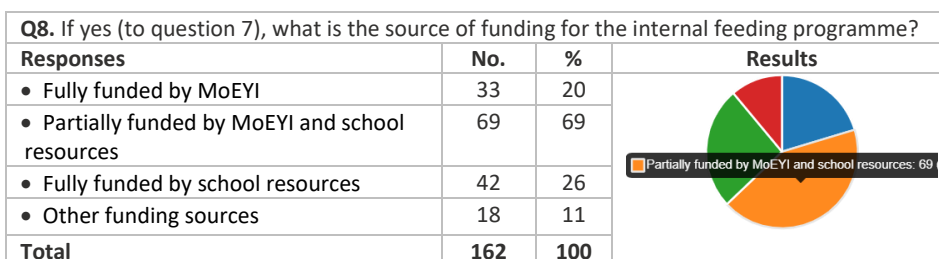
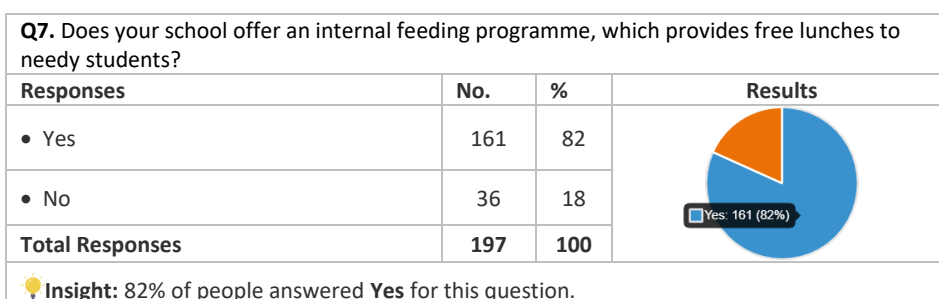
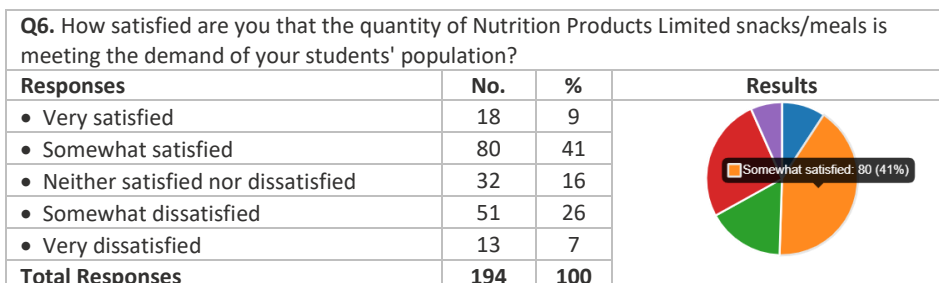
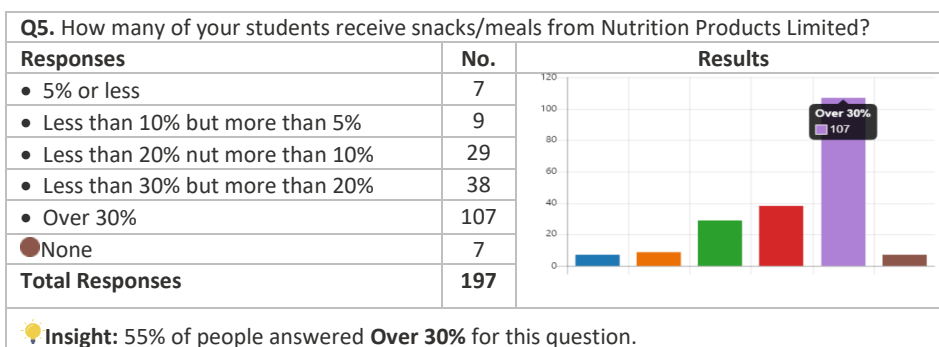
²⁷ MoFPS Circular No. 1 February 5, 2013



Appendices

Appendix 1 Responses to survey on meals provided by NPL





Q10. Are the Nutrition Products Limited snacks/meals deliveries made on time to your school?

Responses	No.	%	Results
• Yes	117	62	
• No	41	22	
• Maybe	32	17	
Total Responses	190	100	

Insight: 60% of people answered **Yes** for this question.

Q11. How many days per week does your school get products from NPL?

Responses	No.	%	Results
• 1 to 2 days a week	130	66	
• 2 to 3 days a week	28	14	
• 3 to 4 days a week	24	12	
• Five days a week	6	3	
• No delivery	9	5	
Total Responses	197	100	

Insight: 66% of people answered **1 to 2 days a week** for this question

Q12. How satisfied are you that snacks/meals distributed by Nutrition Products Limited is beneficial to students' nutritional well-being?

Responses	No.	%	Results
• Very satisfied	13	7	
• Somewhat satisfied	97	51	
• Neither satisfied nor dissatisfied	29	15	
• Somewhat dissatisfied	39	20	
• Very dissatisfied	14	7	
Total Responses	192	100	

Insight: 50% of people answered Somewhat satisfied for this question.

Q13. Was your school consulted by Nutrition Products Limited before new snacks/meals were introduced?

Responses	No.	%	Results
• Yes	92	48	
• No	99	52	
Total Responses	191	100	

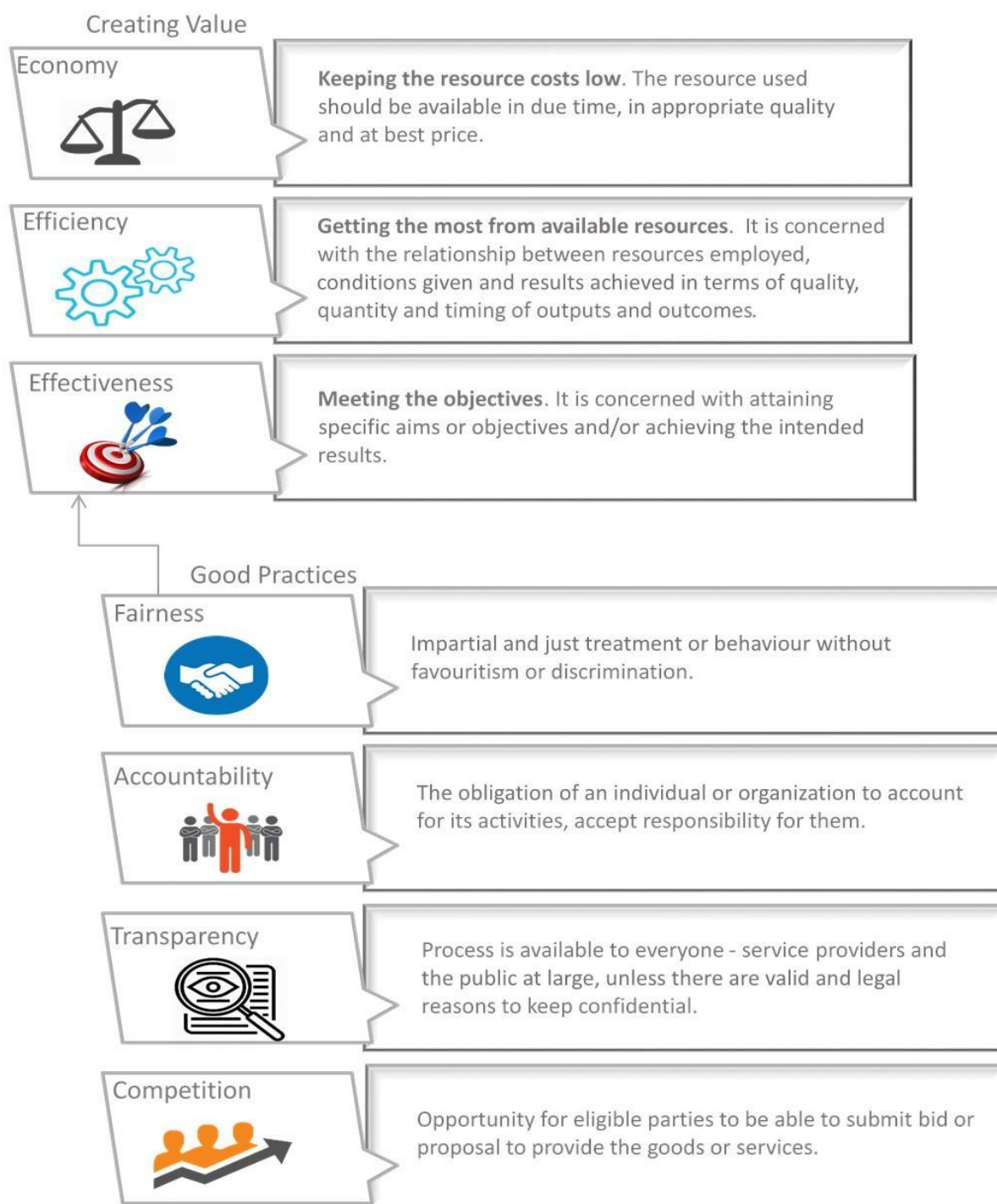
Q14. Would you want to be consulted by Nutrition Products Limited in deciding snacks/meals choices?

Responses	No.	%	Results
• Yes	176	89	
• No	21	11	
Total Responses	191	100	

Q15. With one being the lowest and ten being the highest, to what extent do you think students like the snacks/meals distributed by Nutrition Products Limited?	
194 Responses	6.3 Average Number
Insight: 31% of people rated High rating (7-10) for this question	
Q16. With one being the lowest and ten being the highest, to what extent do you think the snacks/meals are wasted by students?	
197 Responses	2.88 Average Number
Insight: 71% of people rated Low rating (1-4) for this question	
Q17. How Nutrition Products Limited can improved its snacks/meals offerings?	
184 Responses	Latest Responses <i>"if we could get it more regular and in more quantity"</i> <i>"It would be nice if we could get a variety of snacks instead of the buns every day. Milk would also do us well."</i> <i>"Continue the wraps, pink milk, banana muffins, cheese bread, make products tastier."</i>
Q18. How can the overall School Feeding Programme be improved?	
175 Responses	<i>"The Programme is already doing well"</i> <i>"It could be improved if the children could get lunch every day."</i> <i>"Offer a variety of tasty, moist snacks. "</i>

Appendix 2 General Principles of Good Governance in Public Procurement to attain VFM

General Principles of Public Procurement – Creating Value from employing Good Practices



Appendix 3 NPLs' Nutritional content of selected products

Nutri
Bulla



NUTRI BULLA
NUTRITION SUPPORTING EDUCATION

MINISTRY OF EDUCATION, YOUTH & INFORMATION
Every Child Counts. Every Child Learns.

NOT FOR SALE

Net Wt. 65 g

NUTRITION FACTS	
Amount/Serving	% DV*
Total Fat 3g	4%
Sodium 260mg	11%
Potassium 60mg	2%
Total Carb. 58g	15%
Sugars 19g	
Protein 6g	
Calcium 4%	Iron 0%

Serv. Size (65g)
Serving Per Container
Calories 230
*Percent Daily Values (P.D.V.) are based on a 2,000 calorie diet.

Spice
Bun



NUTRITION FACTS

Amount Per Serving	Calories from Fat 15	Total 300	% Daily Value*
Total Fat 14g			28%
Sodium 270mg			54%
Potassium 100mg			20%
Total Carbohydrate 64g			128%
Sugars 17g			
Protein 9g			18%
Calcium 6%			

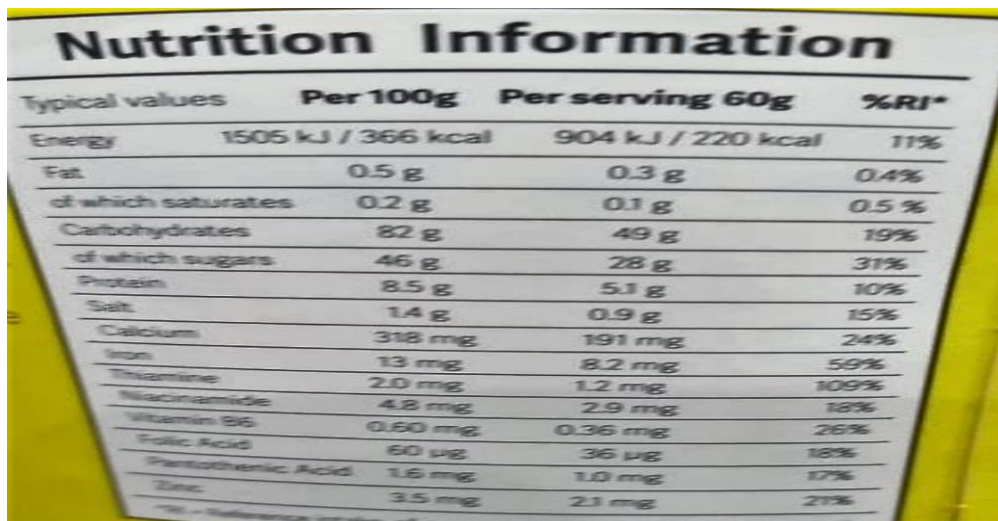
*Percent Daily Values are based on a diet of other people's secrets.
Do Not Eat This Product if You are Pregnant or Nursing.
Do Not Eat This Product if You are Allergic to Any of the Ingredients Listed Below.

Calories 300
Total Fat 14g
Sodium 270mg
Potassium 100mg
Total Carbohydrate 64g
Sugars 17g
Protein 9g
Calcium 6%

Calories from Fat 15
Total Fat 14g
Sodium 270mg
Potassium 100mg
Total Carbohydrate 64g
Sugars 17g
Protein 9g
Calcium 6%

Calories 300
Total Fat 14g
Sodium 270mg
Potassium 100mg
Total Carbohydrate 64g
Sugars 17g
Protein 9g
Calcium 6%

Porridge
Mix



Nutrition Information

Typical values	Per 100g	Per serving 60g	%RI*
Energy	1505 kJ / 366 kcal	904 kJ / 220 kcal	11%
Fat	0.5 g	0.3 g	0.4%
of which saturates	0.2 g	0.1 g	0.5 %
Carbohydrates	82 g	49 g	19%
of which sugars	46 g	28 g	31%
Protein	8.5 g	5.1 g	10%
Salt	1.4 g	0.9 g	15%
Calcium	318 mg	191 mg	24%
Iron	13 mg	8.2 mg	59%
Thiamine	2.0 mg	1.2 mg	109%
Niacinamide	4.8 mg	2.9 mg	18%
Vitamin B6	0.60 mg	0.36 mg	26%
Folic Acid	60 µg	36 µg	18%
Pantothenic Acid	1.6 mg	1.0 mg	17%
Zinc	3.5 mg	2.1 mg	21%

*RI - Reference Intake of an average adult (60kg male)

Appendix 4 Connected Party Transactions

Board Member /Senior Management	Tenure at NPL	Service Provided to NPL through connected party	Connection	Amount Paid to connected parties	Period of Payment	Total
Former Chairman	Jun-2010 to Dec 2020	Haulage & Transportation services	Former Chairman is a Director & Shareholder of the connected company.	\$69.6M	Nov 2010 to Jan 2021	\$124.9M
		Supply, Repair & Maintain Factory Equipment's	(1.) Company Secretary for connected company works at the Former Chairman private company. (2.) Address of the connected company is the same address as the former Chairman Private companies. (3.) The business contact email for the maintenance company bore the first two initials and the last name of the former chairman.	\$48M	Aug 2018 to Nov 2020	
		Individual (Taking minutes at Board and Sub-Committee meetings)	Individual works at the former Chairman private companies.	\$7.3M	Apr 2017 to Jan 2021	
Present Board Member	Jun 2017 to Present	Janitorial services	Board Member's Husband is a Director, Shareholder & Managing Director of the connected company.	\$13.8M	Aug 2019 to Apr 2021	\$13.8M
Former CEO	Mar 2009 to May 2018	Printing & Office supplies	Former CEO is a Director and Shareholder of the connected company.	\$4.2M	Feb 2016 to May 2017	\$4.2M
					Total	\$142.9M

Appendix 5 Deficiencies in process to solicit, evaluate and select delivery contractors

No.	Contractor	Current Contracts	Adherence to Procurement Process	Evaluation and Selections Process	Performance Evaluation	Total \$'000
1	name redacted	Not Seen	No	No	Not Seen	22,713
2	name redacted	Not Seen	No	No	Not Seen	19,764
3	name redacted	Not Seen	No	No	Not Seen	16,589
4	name redacted	Not Seen	No	No	Not Seen	14,809
5	name redacted	Not Seen	No	No	Not Seen	13,838
6	name redacted	Not Seen	No	No	Not Seen	10,798
7	name redacted	Not Seen	No	No	Not Seen	10,094
8	name redacted	Not Seen	No	No	Not Seen	9,972
9	name redacted	Not Seen	No	No	Not Seen	8,468
10	name redacted	Not Seen	No	No	Not Seen	8,366
11	name redacted	Not Seen	No	No	Not Seen	7,998
12	name redacted	Not Seen	No	No	Not Seen	7,903
13	name redacted	Not Seen	No	No	Not Seen	7,500
14	name redacted	Not Seen	No	No	Not Seen	7,405
15	name redacted	Not Seen	No	No	Not Seen	7,323
16	name redacted	Not Seen	No	No	Not Seen	7,113
17	name redacted	Not Seen	No	No	Not Seen	6,618
18	name redacted	Not Seen	No	No	Not Seen	5,804
19	name redacted	Not Seen	No	No	Not Seen	6,185
20	name redacted	Not Seen	No	No	Not Seen	5,706
21	name redacted	Not Seen	No	No	Not Seen	5,379
22	name redacted	Not Seen	No	No	Not Seen	4,856
23	name redacted	Not Seen	No	No	Not Seen	4,689
24	name redacted	Not Seen	No	No	Not Seen	4,417
25	name redacted	Not Seen	No	No	Not Seen	4,204
26	name redacted	Not Seen	No	No	Not Seen	4,073
-	Total	-	-	-	-	232,587

Appendix 6 Sequence of events for selecting contractor for Janitorial Services

Minutes	Extracts from minutes
August 17, 2018	Advertisement posted for janitorial service.
August 17, 2018	Two contractors submitted bids in compliance with the criteria.
November 19, 2018	Minutes of meeting indicated that “tender for janitorial service was recently aborted and now being reopened.”
February 15, 2019	The provision of Janitorial Services has commenced, changes have been made to the Bidding Document (Technical and Financial Evaluation Criteria). The Janitorial Services requirement schedule was also re-evaluated and would be used to determine the New Estimated Contract Value for the Year 2019/2020.
March 18, 2019	<p>The provision of Janitorial Services was advertised on February 16, 2019 and February 19, 2019. Three companies purchased Tender Documents, however, on the tender opening day March 11, 2019 only two (2) companies submitted bidding documents.</p> <p>Both companies were found to be in compliance with the criteria that were advertised in the local newspapers. An extension letter was done for Arcadia Enterprises Limited, to continue providing Janitorial Services until March 31, 2019. The award company would be notified, and the contracts would be signed to commence on April 1, 2019.</p>
April 16, 2019	The tender process for the Provision of Janitorial Services that was recently advertised has been abandoned. Companies would now be invited through Limited Tender, at least three (3) companies to provide a quote based on the revised Scope of Work and Requirements Schedule – this was slated for April 15, 2019.
May 17, 2019	<p>The recent abandoned tender process for the Provision of Janitorial Services was resumed on May 10, 2019 where six (6) companies were invited to participate in the Limited Tender exercises. Six Contractors were invited to participate in the exercise. An extension letter was done for Arcadia Enterprises Limited, to continue providing Janitorial Services until May 31, 2019.</p> <p>A cost saving analysis was done for the Janitorial Services compared to the previous year (2018). The estimated contract for 2017/2018 was \$8.7M. A revised scheduled was done as in the required manpower that would be needed for the company, with this being done the new estimated contract was valued at \$5.3M for the year 2019/2020. The compared analysis shows that NPL would save approximately \$3.4M.</p> <p>It was also stated that the Integrity Commission was requesting the reason of abandoning the process on several occasions.</p> <p>The committee stated that the reasons for abandoning the process, which was due to the whole concept of utilizing few of the Production staff for internal sanitation/cleaning, because of the scale back from the Production exercise of what was carried under the directives of the previous Minister.</p>
June 21, 2019	<p>Four contractors submitted bids, based on the criteria. The existing contracting bid was not considered based on the mode of submission which was not in compliance with the criteria outlined in the Letter of Invitation.</p> <p>The evaluation committee was then charged on May 30, 2019 to carry out its function using the least cost method. The evaluation committee met again on June 3, 2019 and recommended that the contract for the Janitorial Services be awarded to (name redacted). A Procurement meeting was held in June 10, 2019 to facilitate the approval of awarding said contract to (Name redacted) Limited. This was treated as a matter of urgency so as to eliminate NPL issuing a further extension letter to the existing contractor. The contract was slated to commence on Monday, June 24, 2019 and was collected by the Managing Director of (name redacted) on June 12, 2019 to be reviewed by his lawyer. Director (name redacted) did not participate in the discussions leading up to the decisions on selection.</p>

July 24, 2019	It was recommended that NPL should advise the Janitorial Services Contractor that additional janitors would be needed to carry-out the necessary sanitation exercise, commencing September 2019. Further analysis would be conducted to determine the additional janitorial services that would be required on a daily basis, after which, a request will be made for the additional cost to provide these services. An Addendum will be required to the contract to include the additional cost and services. The Production staff at the Kingston Plant would no longer require water boots. Based on the scope of work at the Westmoreland Plant janitorial services may be required.										
August 16, 2019	A meeting was scheduled to be held on Monday, August 19, 2019 with the Sanitary Removal Team regarding the additional janitorial duties for the Production area. This would be based on the number of shifts to be done and the cycle of cleaning. NPL would outline the scope of work.										
September 20, 2019	A meeting was scheduled to be held on Monday, August 19, 2019 with the Sanitary Removal Team regarding the additional janitorial duties for the Production area. NPL waits for quotation of the additional services.										
January 17, 2020 and February 21, 2020	<p>Janitorial Services – Kingston Plant</p> <p>Based on the implementation of the Breakfast Programme, the production workers will not be able to continue sanitation activities in the Production Area. As such, the existing contractor was asked to provide a quote for the additional duties to be undertaken. Quotations per month are as follows:</p> <ul style="list-style-type: none"> Existing contract value \$307,000.08 Production area (new quote) - \$361,909.08 New contract value - \$668,909.60 										
April 23, 2020	<p>(Name redacted) commenced janitorial activities at the Westmoreland and St. Mary Plants on March 5th and 8th 2020. Nonetheless, the contractor had advised that the previously submitted quote for \$240,000.00 per month, for each Plant, did not include the sanitation of the tin sheets.</p> <p>Since then, the Contractor has been provided with the total amount of tin sheets, per Plant. A revised quotation was submitted for each Plant, per month. The quotation received was as follows:</p> <ul style="list-style-type: none"> \$425,000.00 per month Westmoreland Plant \$420,000.00 per month St. Mary Plant 										
May 15, 2020	The existing contract for the provision of Janitorial Services expires on June 24, 2020. The procurement process for this activity will commence on May 20, 2020.										
June 19, 2020	<p>The procurement process for the Provision of Janitorial Services for all three plants commenced on May 30th, 2020, where the Local Competitive Bidding Process was used. The deadline for the submission of bids is June 15th, 2020. The Comparable Estimates for all three plants are as follows:</p> <table> <tr> <th>Plant</th><th>Comparable Estimate</th></tr> <tr> <td>Kingston</td><td>\$5,960,858.53</td></tr> <tr> <td>Westmoreland</td><td>\$3,950,000.00</td></tr> <tr> <td>St. Mary</td><td>\$3,950,000.00</td></tr> <tr> <td>Total</td><td>\$13,860,858.53</td></tr> </table> <p>Following the Procurement of Janitorial Services, the opening was done on June 15, 2020. Of the four contractors who purchased the bidding document, only one (1) bidder (name redacted) participated. The Committee agreed to award the contract to (name redacted).</p>	Plant	Comparable Estimate	Kingston	\$5,960,858.53	Westmoreland	\$3,950,000.00	St. Mary	\$3,950,000.00	Total	\$13,860,858.53
Plant	Comparable Estimate										
Kingston	\$5,960,858.53										
Westmoreland	\$3,950,000.00										
St. Mary	\$3,950,000.00										
Total	\$13,860,858.53										
July 17, 2020	<p>The contract for the Provision of Janitorial Services for all three plants was awarded to (name redacted) on June 22, 2020 for the period June 25, 2020 – June 24, 2021. The total contract cost is of \$12,298,915.20 per annum.</p> <p>Following the Procurement of Janitorial Services, a letter was received from the Integrity Commission dated July 10, 2020, requesting for the procurement opportunity to be aborted and any contract issued to be terminated with immediate effect. This is due to the Bidding Document that was used in the</p>										

	procurement process became obsolete since April of this year. They advised that a circular was issued of this nature, however, NPL is unaware of same.
August 16, 2020	<p>(name redacted) excused herself from the deliberations for the provision of Janitorial Services on the basis that she is connected to one of the bidders.</p> <p>Following the re-tendering exercise for the Provision of Janitorial Services that was conducted on August 3, 2020 using the restricted bidding process procurement method, four contractors were invited to quote. Four companies submitted bids. On the following day, August 26, 2020, the Evaluation Committee carried out its function to assess each bidder on its respective merit. Decision: After the deliberations, the Committee agreed unanimously on the recommendation of awarding the contract to (name redacted).</p>

Appendix 7 Comparison of job requirement to employee qualifications

No.	Post Title	Date employed/ Promoted	Job requirement	Employee qualification	Outcome
1	Chief Executive Officer	Dec-2018	Master's Degree in Business Administration & Ten years of experience in a leadership role for a large division or company.	Master of Science in Accounting acquired in Nov-2020 & experience as Warehouse Manager from Sep-2017 to Dec-2018.	X
2	Production Manager	01-Dec-2017	Qualification - First Degree in Production/Marketing or Management Studies.	Master of National Economics, Bachelor of Science in Business Administration and Associate degree in Business Studies. Experience: Customer service Rep Sep 2008 - Oct 2009 and Executive Assistant to the Head of Department (Jan 2011 - Dec 2017)	√
3	Human Resource Manager	2-Aug-17	BSc degree in the Social Sciences, with at least six years related work experience at a middle or senior level.	6 GCE subjects, Advanced Supervisory Management certificate & experience as operations manager	X
4	W/house & Dist. Mgr.	19-Jan-11	Bachelor's degree and five years' experience in a managerial position	Certificate in Supervisory Management & 9 CXC with experience as distribution & warehouse supervisor for 1.5 years.	X
5	Procurements & Contracts Manager	06-Feb-19	Bachelor's Degree with at Least three years working experience in contracts administration and procurement	Bachelor of Science Degree & experience as Administrative Assistant (Aug 2018 - Feb 2019)	√
6	Safety, Security & Maintenance. Manager	2-Oct-17	Degree in Electrical or Mechanical Engineering with three (3) years' experiences in maintenance in a manufacturing environment and Two (2) years' experience in safety and occupational health in a manufacturing environment.	Degree in Production & Operation management and experience as Operations Analyst Aug 2010 - Oct 2017, Front Office Agent (Sep 2012 - Aug 2013, Special Projects (Feb 2008 - Sep 2012), Call Centre Agent Feb 2005 - Sep 2012).	X
7	Assist. Human Resource Officer	01-Oct-19	First Degree in Management Studies or Human Resource and Two (2) years' experience in the related field.	BSc. Human Resource Management and experience as HR Administrative officer (Feb 2017 - Oct 2019)	√
8	Customer Service Officer	01-Oct-20	Bachelor's Degree in management studies, Certificate in Customer Service or Public Relations & two years' experience in the related field.	Bachelor of Science in Marketing and experience as Client Support Officer (Sep 2019 - Mar 2020, Brand Ambassador (Jun 2016 – Aug 2019)	√

No.	Post Title	Date employed/ Promoted	Job requirement	Employee qualification	Outcome
9	Customer Service Officer	5-Oct-20	Bachelor's Degree in management studies & Two years' experience in the related field.	Bachelor of Education in Business Studies and experience as Customer service supervisor Sept-1999 to Mar 2020.	√
10	Shift Manager	9-Nov-20	Degree in Production Operations Management & five years' experience	Bachelor of Science in Natural & Applied Science & experience as Laboratory Analyst (Jan 2018 - April 2020)	√
11	Quality Assurance Officer	04-Dec-17	Possess a BSc. Degree with a Food Chemistry Major or equivalent, have at least 3 years' experience in quality control in a food manufacturing environment.	Associate degree in laboratory Technology and experience as Quality Technician (2004-2011)	X
12	Warehouse Supervisor	12-Jan-20	BSc. Degree in Management Studies or Business administration, Certificate in Inventory Management & three years supervisory experience in a similar position.	Bachelor of Science in Operations Management.	√

Key: X – Not Met √ – Met

