

**AUDITOR GENERAL'S DEPARTMENT  
SPECIAL AUDIT REPORT**

**-TAX ADMINISTRATION JAMAICA  
LEASING ARRANGEMENTS**

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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# AUDIT AT A GLANCE



## Special Audit Report Tax Administration Jamaica (TAJ) Leasing Arrangements

### KEY DATA

- Established on April 1, 2011, under the Revenue Administration (Amendment) Act 2011, the Administration began operations on May 1, 2011. Tax Administration Jamaica (TAJ) is a consolidation of the Island Revenue Department, Taxpayer Audit and Assessment Department and Tax Administration Services Department.
- Section 7.5.4 of the GOJ's Asset management Policy stipulates that the National Land Agency (NLA) must give written permission to MDA's prior to entering into lease agreements. Additionally, the justification for leasing said property must include the advice of the Commissioner of Lands.



### MAIN FINDINGS

- As at August 2023, TAJ expended JA\$15,000,000 for the lease of a property in Annotto Bay, St. Mary.
- TAJ did not receive written permission from the Commissioner of Lands prior to entering the lease agreement for the Annotto Bay property.
- TAJ is yet to occupy property leased in Greenvale, Mandeville. As at August 2023 TAJ expended a total of J\$356,802,893 over the past 3 years.



### Conclusion & Recommendations

TAJ's SOP empowers the Director sole discretion for the identification and selection of property suitable for lease. However, the SOP is not consistent with best practices of accountability and transparency and should be aligned with the relevant GOJ's policies and regulations. Accordingly, TAJ should ensure the segregation of responsibilities for identifying and selecting property for lease. The Director should identify suitable properties for lease which would be shortlisted for submission to an independent committee for final selection.

Based on the funds already expended, the Tax Administration Jamaica must urgently put in place the necessary arrangements for the timely completion of its renovation projects to reduce the level of nugatory expenditure, especially at the Annotto Bay location given the safety concerns at the current office.

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# Auditor General's Foreword

Tax Administration Jamaica (TAJ) is mandated to collect all domestic tax revenue. In executing its function, TAJ must ensure that there are systems in place to foster voluntary compliance with applicable laws and directives of the Ministry of Finance and the Public Service.

Based on allegations that the private company of a Member of Parliament owned a building that was being rented by TAJ although the building was not being used for taxpayer services, I commissioned a Special Audit to determine the veracity of the allegations.

Whereas I found instances where TAJ was not compliant with the GOJ Asset Management Policy, I saw no evidence to substantiate the allegation that the sitting member of Parliament who is listed as the Director of the private company that owns the Annotto Bay location in question, interfered with the TAJ's procurement process, or influenced TAJ's decision to lease the property.

However, I urge TAJ to actively consider the recommendations contained in this report to improve accountability and transparency in its procurement practices related to leasing arrangements. I take this opportunity to thank the management of TAJ for the courtesies extended to my team during this audit.



**Pamela Monroe Ellis, FCCA, FCA**  
**Auditor General**

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## Executive Summary

The Auditor General's Department (AuGD) conducted a Special Audit of The Tax Administration Jamaica's leasing arrangements in response to the following allegations:

- Tax Administration Jamaica (TAJ) was seeking a property to relocate its Tax Office in St. Mary and it is alleged that the sitting member of parliament, through his private company, bought a commercial building within his constituency, a few meters across from the existing Tax Office, which was subsequently rented to TAJ for approximately Seven Hundred Thousand Jamaican Dollars (J\$700,000.00) per month.
- It is further alleged that the building is not yet occupied by the TAJ, although approximately eight (8) months' rent has been paid and to date renovation/retrofitting works are yet to commence.

Based on the allegations, we sought to assess whether there were breaches in the TAJ's policies and procedures as well as the GOJ guidelines. During the audit we determined that the information received in the allegations were true, however, no evidence was presented which suggested that the sitting member of Parliament who is listed as the Director of the private company that owns the Annotto Bay location in question, interfered with the TAJ's procurement process, or influenced TAJ's decision to lease the property. Our Audit also revealed another lease arrangement which we reviewed and the finding is included herein.

### Findings

1. **On January 25, 2022, TAJ began leasing a property located on Main Street, Annotto Bay, St. Mary and as at August 31, 2023, spent a total of J\$15,000,000 on lease payments.** TAJ projected that the retrofitting works should cost J\$56,273,261. Up to the time of this report, there was no evidence that TAJ had relocated its operations to the property. TAJ's Property Services Unit assessed that the building in question was the only suitable property in the area as it was previously occupied by a bank. We saw no evidence that TAJ's decision to lease was externally influenced.
2. **TAJ did not however, receive written permission from the Commissioner of Lands prior to entering the lease agreement, nor did it engage the National Land Agency (NLA) to conduct a valuation of the said property as stipulated in section 7.5.4 of the GOJ Asset Management Policy.** According to TAJ's management team, this requirement was not adhered to in the interest of time as another entity was also interested in leasing the space.
3. **The TAJ's approved standard operating procedures (SOP) gives the responsibility for the identification of spaces for leasing solely to the Director, Property Services.** However, the SOP neither does not specifies any process/approach which the Director, Property Services should utilize when identifying a property, nor does the SOP require such Director to consider other possible locations during his selection of a suitable space for leasing. Additionally, no reference is made to a need for NLA's written permission or valuation as required by GOJ's Asset Management Policy.

4. **In another instance we noted that TAJ leased a building in Greenvale, Mandeville which it is yet to occupy despite expending a total of J\$356,802,893 as at August 31, 2023.** Despite the completion of the proposal for renovation and furnishing in June 2019, and the first lease payment in September 2020, the necessary retrofitting/renovation works had not yet commenced as of August 2023. TAJ also occupies 2 other locations within the Mandeville area costing the Government \$51,173,341 per annum. However, TAJ indicated that it sought to relocate its operations in Mandeville to the 42,300 sq. feet location to eliminate the challenges in the management and delivery of taxpayer services occasioned with operating the other two (2) locations.
5. **Accordingly, up to August 31, 2023, the TAJ expended a total of J\$371,802,893 for the unoccupied Annotto Bay and Mandeville locations.** TAJ's monthly lease payments for the aforementioned properties combined at August 2023, was \$11,378,371. As stated previously both locations were unoccupied and retrofitting/renovation works were yet to commence.

## Recommendation

1. TAJ's SOP empowers the Director sole discretion for the identification and selection of property suitable for lease. However, the SOP is not consistent with best practices of accountability and transparency and should be aligned with the relevant GOJ's policies and regulations. Accordingly, TAJ should ensure the segregation of responsibilities for identifying and selecting property for lease. The Director should identify suitable properties for lease which would be shortlisted for submission to an independent committee for final selection.
2. Based on the funds already expended, the Tax Administration Jamaica must urgently put in place the necessary arrangements for the timely completion of its renovation projects to reduce the level of nugatory expenditure, especially at the Annotto Bay location given the safety concerns at the current office.

## Management Response

TAJ is accepting the recommendations and will review its Asset Management policy to incorporate the relevant changes. Nevertheless, based on our experience we are mindful that this has the potential to adversely impact our operations as followings:

- Missed opportunities in the leasing of properties especially in those remote areas where space is not readily available and will ultimately affect TAJ's plan to modernize and upgrade our facilities to support improved customer service.
- Lengthy delays in settling lease agreement despite being advised by NLA that TAJ has the autonomy to do so without engaging that entity. This was the norm before TAJ changed to managing this process as evidenced by the timeframe utilized to process the lease agreement for (name redacted).

## Part One

### Introduction

#### Background

**1.1** The Tax Administration Jamaica (TAJ) was established in 2011 under the Revenue Administration Act (2011). The Administration began operations on May 1, 2011. Tax Administration Jamaica (TAJ) is a consolidation of the Inland Revenue Department (IRD), Taxpayer Audit and Assessment Department (TAAD) and Tax Administration Services Department (TASD). The TAJ subsequently became a Semi-Autonomous Revenue Authority (SARA), effective November 3, 2014, and currently operates under a new governance structure and Management Board. TAJ is headed by a Commissioner General and is assisted by four Deputy Commissioners General (DCG), each responsible for a division.

**1.2** The roles and functions of the Tax Administration Jamaica include:

- The administration and collection of domestic tax.
- The collection of revenue, other than domestic tax, the collection of which is the responsibility of the Commissioner General.
- The administration and enforcement of laws relating to domestic tax.
- The registration, audit and assessment of taxpayers.
- The development and implementation of internal polices, systems and procedures to ensure proper implementation of the revenue laws.
- The negotiation, administration and enforcement of international agreements relating to Tax.
- The promotion of public awareness of the importance of the efficient and effective collection of Tax and its importance to national development.
- To advise the Minister on all matters of general policy in relation to the administration and collection of tax.
- The performance of such other functions relating to the administration and collection of tax and revenue other than tax as may be assigned to it by the Minister, or by or under this Act or any other enactment.

**1.3** TAJ offices are located island-wide and in every parish. TAJ has four Revenue Service Centres (RSC), 28 Satellite Offices (The satellite offices report to the RSC in the respective Parish/Region). Online services are also available to include:

- Filing and Payment of Business-Related Taxes
- Driver's Licence Renewal payment
- Driver's Licence Renewal Search
- Tax Compliance Certificate (TCC) Auto Renewal
- Tax Compliance Certificate Application and Renewal
- GCT Registration

## Rationale for the Audit

**1.4** This Special Audit was undertaken in response to allegations of impropriety surrounding a leasing arrangement between TAJ and a private company. We planned and conducted our audit in accordance with the ISSAIs (International Standards of Supreme Audit Institutions) which support our Special Audit Manual, along with data interrogation techniques. These standards are issued by the International Organization of Supreme Audit Institutions (INTOSAI). We conducted a risk assessment and developed an audit plan based on our objectives to form our opinions and conclusions. We gained knowledge of the operations of the TAJ by reviewing internal and external information, interviews with management, staff and other stakeholders, observations, walkthroughs and analytical reviews. We conducted fieldwork between June 2023 and August 2023 to gather sufficient and appropriate audit evidence on which we based our conclusions.

## Part Two

### Allegations and Findings

2.1 Information received from an anonymous source indicated that:

- The Tax Administration Jamaica (TAJ) was seeking a property to relocate its Tax Office in a rural community in St. Mary. Further, that the sitting member of parliament bought a commercial building, which was subsequently rented to TAJ for approximately Seven Hundred Thousand Jamaican Dollars (J\$700,000.00) per month.
- It was alleged that although approximately eight (8) months' rent had been paid, the building was yet to be occupied by the TAJ and the renovation/retrofitting works had not commenced; which may be an indication that TAJ did not intend to relocate any time soon.

2.2 The TAJ currently operates from another location on Main Street, Annotto Bay, St. Mary with an internal area of approximately 2100 square feet. TAJ indicated that the need to relocate its operation in the area was supported by a report titled "**Annotto Bay Tax Office Follow-up Visit**" dated November 23, 2021. The report outlines the deplorable condition of the current location to include (among other things): compromise of the structural integrity of the building due to termite infestation, biological hazards, and structural damages. TAJ identified a privately owned building to relocate its operations and entered a leasing arrangement for the aforementioned property, for which a sitting member of parliament in St. Mary is listed as its managing director. TAJ's Property Services Unit assessed that the leased building was the only suitable property in the area as it was previously occupied by a bank. The property is located a few meters across the street from the property which currently houses TAJ's operations on Main Street, Annotto Bay, St. Mary. The terms of the leasing arrangements are:

- The lease is for a period of ten (10) years commencing January 25, 2022,
- The rental rate is seven hundred and fifty thousand dollars (\$750,000) plus G.C.T of One hundred and twelve thousand five hundred dollars (\$112,500), totaling eight hundred and sixty-two thousand and five hundred dollars (\$862,500) payable on the 25th of each month.

The AuGD audit team conducted a site visit to confirm the physical condition of the building currently being utilized by TAJ in Annotto Bay, as indicated in the pictures below.



Source: AuGD Images

**2.3** The team also visited the newly leased property to ascertain the physical condition as indicated in the pictures below:



Source: AuGD Images

**2.4** In a Management Response to the AuGD on August 2, 2023, TAJ indicated that it had been searching for a location to relocate its operations in St. Mary since July 2021. TAJ further stated that buildings utilized by banks were generally fit for the purpose of tax collectorate as they were usually equipped with bank vaults, cashier counters, sufficient parking and other amenities/facilities.

**2.5** The audit team requested the National Land Agency's (NLA) valuation report/ Commissioner of Lands' advice for leasing the Annotto Bay location in question which is required in accordance with section 7.5.4 of the GOJ Asset Management Policy. We were informed by TAJ's management on September 8, 2023, that no NLA valuation was conducted in the interest of time, as another tenant was also interested in leasing the property. Instead, TAJ submitted a valuation report from a private chartered (valuation) surveyor for review. The private valuator concluded that there was a scarcity of available sites in the area, coupled with a strong market demand for commercial properties like the Main Street, Annotto Bay location in question. Accordingly, the private valuator's recommended rental rate for the Annotto Bay location was approximately J\$9.8 million per annum, not including maintenance and GCT.

#### ***Management's Response***

TAJ utilized a private valuation entity based on the advice by the National Land Agency and our Standard Operating Procedure for identifying and leasing space. This was done to ensure a timely valuation on the space and to progress the lease arrangements given that other parties had interest in the space.

**2.6** TAJ did not comply with the requirement that the NLA should give written permission prior to entering lease agreements and that justification for leasing said property must include the advice of the Commissioner of Lands. Instead, TAJ cited correspondence from the NLA which they treated as "advice" from NLA regarding TAJ's autonomy over leasing arrangements. Our checks with NLA's representatives indicated that the email may have been misunderstood by TAJ, as it sought to inform TAJ of its "Body Corporate" status which means that TAJ could sign on their lease agreements rather than have NLA sign on their behalf. Further, according to the NLA representative "it was not intended to communicate that the Tax Administration Jamaica should deviate from established procedure." TAJ in its Management Response to our draft report, did not address the alleged misunderstanding.

**2.7** TAJ's authorized SOP stipulates that the Director of Property Services is solely responsible for identifying spaces suitable for leasing. Whilst the SOP requires that checks and balances be carried out at the subsequent stages in respect to finalizing the lease agreement, the policy does not specify any process/approach to be utilised by the Director, Property Services in identifying a property, nor is the Director required to review other possible locations. Additionally, the SOP makes no reference to the National Land Agency's involvement in the leasing process. We found the stipulation of TAJ's policy to be inconsistent with section 7.5.4 of the GOJ's Asset management Policy which stipulates that the Commissioner of Lands must give written permission to Ministries, Departments, Executive Agencies and Municipal Corporations prior to entering lease agreements.

**2.8** Based on the lease agreement between TAJ and the private lessor of the Annotto Bay location in question, the agreed rental rate was J\$9 million per annum, not including maintenance and GCT. Up to August 2023, TAJ made payments totaling \$15,000,000. Correspondence from TAJ dated August 2, 2023, informed that the lease payments were current, but that renovation works had not commenced. TAJ also indicated that the schematic design and bill of quantities for the Annotto Bay location were completed, and that the agency was preparing to tender for a qualified contractor to commence a four-month renovation project in August 2023. We noted that from TAJ's records, that the bill of quantities for the Annotto Bay location was completed in May 2023. Correspondence from TAJ dated November 17, 2023, indicated that the Annotto Bay Tax Office had been closed since the earthquake on November 3, 2023, and a structural engineer's report had rendered the building unsafe for occupancy. TAJ indicated that its new location should be open for business by May 2024.

#### ***Management's Response***

Inspection of report done by TAJ's team to confirm suitability conducted **July 20, 2021**. Upon inspection TAJ learnt that (name redacted) was now the owner of the space through (name redacted). Expression of interest was made on **August 25, 2021**, via letter of the same date. Valuation conducted **October 30, 2021**. All procurement protocols had to be observed before the valuation surveyor could be engaged and despite using a private entity it still took two (2) months to get it done. The lease was negotiated and duly signed **December 17, 2021**. Upon taking possession of the keys for the premises on **January 7, 2022**, and entering the space, it was evident that deliberate changes were made to the layout of the space reinforcing that other interests were actively trying to acquire the space through occupancy over TAJ. Consequently, a letter date **February 10, 2022**, was sent from TAJ to (name redacted) requesting that the space be restored to its original state, and this took several months.

**2.9** Against this background, we saw no evidence that the decision to relocate the operations from the current premises resulted from undue external influence.

#### **Mandeville, Manchester Location**

**2.10** In reviewing TAJ's leasing arrangements in general, we also noted that since 2020, lease payments were being made for a property in Mandeville, Manchester, although taxpayer services were yet to be offered at the premises. The lease agreement dated April 2019 was between 'A PRIVATE COMPANY and THE COMMISSIONER OF LANDS' on behalf of Tax Administration Jamaica (the Lessee) at a rate of approximately J\$85.6 million per annum, not inclusive of GCT and maintenance.



**2.11** Unlike for the Annotto Bay location, TAJ was compliant as the National Land Agency (NLA) carried out a valuation of the Mandeville property as required. According to the valuation report dated May 25, 2018, signed on behalf of the Commissioner of Lands, the recommended rental value for the property was in the order of J\$40.0 million - J\$50.0 million per annum, not including GCT and Maintenance.

#### **Management's Response**

NLA advised TAJ of its autonomy to acquire space without its input on January 8, 2020, hence the reason they handled the lease arrangement process for (Name redacted) since this was done before that date.

**2.12** TAJ also operated from two other locations in Mandeville, the South Racecourse location, where it administers tax related services and the Caledonia location, which houses the Audit function. The Caledonia location is leased from a private company, with the most recent lease agreement commencing February 7, 2022, at a rate of J\$51,173,341 per annum. TAJ does not incur any lease charges for the South Racecourse location as the property is owned by the Government of Jamaica.

**2.13** The TAJ indicated that it sought to relocate its operations in Mandeville to the 42,300 sq. feet location on Greenvale Road, Manchester as the operation of the two (2) separate locations often created challenges in the management and delivery of taxpayer services. These included:

- Limited office space for the 150 members of staff - lack of proper furnishing for the staff
- Limited space to serve an average of 23,600 taxpayers visiting the location monthly
- Limited parking spaces for both staff and taxpayers
- Absence of a dedicated lunchroom, sick bay and space to provide aftercare facilities for the children of the members of staff.
- No public bathroom facilities
- Insufficient space for the storing of records.

**2.14** However, we noted that more than 3 years elapsed between the time TAJ signed the lease agreement in April 2019, and when it began inviting tenders in November 2022. In response to time that elapsed between the signing of the lease agreement and the invitation to tender, TAJ's management indicated as set out below:



### ***Management's Response***

Towards the final stage of processing the lease agreement (i.e. March 2020) TAJ engaged the Public Investment Management Secretariat (PIMSEC) in the Ministry of Finance and the Public Service to ascertain endorsement for the projected investment of \$360M at the time for building out the space. That process was completed in the response received in **June 2020**.

Process for buildout the space, occupy and open:

1. Procurement of a consultant to manage the project from concept drawing to occupancy:
  - a. Invited bids based on the requirements and value (**November 17, 2020-February 26, 2021**);
  - b. Preparation for bid evaluation and evaluation process (**February 27-May 10, 2021**);
  - c. Clarification and Advice from OPPP (**May 11-September 7, 2021**);
  - d. TAJ Procurement Committee endorsement of recommended vendor, Commissioner General's sign off on RPGS and standstill period (**September 8-November 10, 2021**);
  - e. PPC's submission and approval (**November 23-December 3, 2021**);
  - f. Preparation, reviewing and signing of contract (**December 4, 2021-January 17, 2022**).
  
2. Concept design work from Consultant:
  - a. Consultant met with various stakeholders to gather all relevant information required to prepare concept design drawings to reflect the various process flows and the required configuration (**8-10 weeks**);
  - b. Prepared and presented drawing, this meant a number of iterations to satisfy the required work flows and configuration. (**at least 8 months**);
  - c. Approval given on the finalized drawing to be used (**5 days**);
  - d. Assessed the drawing and determine the cost through a detailed bill of quantity for building out the space (**12 weeks**);
  - e. Prepared the requirements to be used in the tender for the buildout contractor (**1 month**).
  
3. **Procurement of the buildout contractor who is to carry out the work to facilitate occupancy**, given the cost of approximately \$850 million will take a minimum of 4 months as it goes all the way through the Public Procurement Committee (PPC) to Cabinet. The restrictive bidding method was used on the advice of the consultant:
  - a. Pre-qualification - all registered contractors in this category based on the value were invited to express interest (**November 7-11, 2022**); Invite bids from those contractors who expressed interest based on the requirements and value (**December 7, 2022 – February 3, 2023**). Consultant evaluated bid and submitted evaluation report (**February 6 – March 10, 2023**). TAJ Procurement Committee endorsed recommended contractor, Commissioner General's sign off on RPGS, standstill period etc. (**March 10 – July 7, 2023**). Submitted to PPC for endorsement (**July 12, 2023**); PPC did not endorse on the basis that 4 additional contractors in this category were added to the procurement platform after the expression of interest phase but before the date for return of bids (**August 2, 2023**).
  - b. TAJ appealed the decision unsuccessfully. In the hope of expediting the process the opinion of the Office of the Public Procurement Policy Unit (OPPP) was sought but was advised to pursue the competitive bidding process (**August 8, 2023–October 24, 2023**).

On the advice of the OPPP the Competitive Bidding Process is being pursued which suggest based on the unsuccessful process that was completed it will take at least another 6-7 months (at best) to engage the contractor. Based on projection work will take minimum twelve (12) months to complete and indicates March 2025 at best.

**2.15** The recommendation for the awarding of the contract for renovation works at the Greenvale Road, Mandeville location was submitted in March 2023 based on the evaluation report. In August 2023, TAJ was awaiting the endorsement of the selected contractor. In a response dated August 2, 2023, TAJ communicated that the contract award recommendation was awaiting the endorsement of the Public Procurement Commission. As at August 2023 TAJ incurred expenses totalling J\$356,802,892.94 (inclusive of tax) on leasing the unoccupied Mandeville location and retrofitting/renovation work is yet to commence to make it fit for purpose. This is in a context where the 42,300 square foot building previously housed a retail operation. As a consequence, we consider the foregoing expenditure to be nugatory as no economic benefit was received by the Government.

## Part Three

### CONCLUSION

**3.1** GOJ Handbook of Public Sector Procurement Procedures excludes the acquisition or rental of land, existing buildings, or identifying spaces for leasing, other immovable property or the rights thereon. It also sets out best practices to be utilized by all Government entities during the procurement process. Whilst TAJ's SOP gives sole responsibility for identifying and selecting properties for lease, to the Director of Property Services, this heightens the risk of irregularities, conflicts of interest and raises concerns regarding the transparency of TAJ's procurement and asset management practices.

#### *Annotto Bay*

**3.2** We identified administrative breaches for the aforementioned Annotto Bay Property with respect to section 7.5.4 of the GOJ's Asset Management Policy which requires the Commissioner of Lands/NLA's valuation of the property as well as written permission from NLA prior to entering the leasing agreement.

Further, whereas we saw evidence to substantiate that the building was owned by a company in which a sitting Member of Parliament was listed as a director, we saw no evidence that the said Member of Parliament unduly influenced TAJ's decision to lease the property or relocate operations in the area. Up to August 31, 2023, TAJ made seventeen lease payments totaling \$15,000,000.

#### *Mandeville Property*

**3.3** TAJ expended \$356,802,893 for lease payments up to August 2023, in relation to the Mandeville location. Notwithstanding this expenditure, the extensive renovation and retrofitting works required to make the building fit for purpose have not been undertaken at the location. Given the time that has already elapsed since TAJ has been and continues to incur these rental charges without the ability to utilise the premises for the intended purposes, we consider the expenditure to be nugatory.

**3.4** Against this background, up to August 31, 2023, the TAJ expended a total of J\$371,802,893. on the unoccupied Annotto Bay and Mandeville locations combined. TAJ's monthly lease payments for the aforementioned properties combined is \$11,378,371 although both locations were unoccupied and retrofitting/renovation works were yet to commence.