

MINISTRY PAPER

96/15

GOVERNMENT OF JAMAICA AUDIT COMMISSION

ANNUAL REPORT FOR FINANCIAL YEAR ENDING MARCH 31, 2014

**1. INTRODUCTION:**

The matter for tabling in the Honorable Houses of Parliament is the Annual Report for the Government of Jamaica's Audit Commission for the year ending March 31, 2014.

**2. OVERVIEW:**

The Government of Jamaica (GOJ) Audit Commission was reconstituted July 1, 2011 and is a body corporate vested with the responsibility of overseeing corporate governance structure of the public sector through the provision of continued monitoring and support of the Audit Committees against the appropriate regulations.

During the financial year 2013-2014 there were 5 meetings of the Commission convened. There are currently thirty-two Audit Committees under the purview of the Commission and all Committees are functional. All committees are operating at full complement with a total of two hundred and sixteen committee members overall.

**3. OPERATIONAL HIGHLIGHTS:**

- a) Appointment of Members. During the preceding period, several active committees experienced challenges with their membership due to resignations, migration, death and non-attendance by some appointed members. This resulted in some committees operating below the requisite complement. This necessitated the immediate action of the Commission in appointing new members in accordance with the FAA Act. Thirty-three (33) new members were appointed to serve on various committees including the Auditor General's Department.
- b) Meeting with Stakeholders. The Commission met with the Cabinet in March 2014 and sensitized the Ministers on its major role and responsibilities, as well as the function of the Audit Committees.

- c) Training. The Audit Commission's annual training Conference was held on October 15, 2013 and had in attendance both audit committee members and Accounting Officers. The conference was aimed at recalibrating the audit committee members in an effort to enhance their performance to the next level, to ensure efficiency and effectiveness. The Conference fielded several noted and experienced speakers such as: Executive Director, NIA, Chairman, Public Accounts Committee, President Institute of Internal Auditors and Senior Director Procurement & Asset Policy Unit, MoFP.
- d) Audit Committee Handbook. The Handbook was signed and dispatched to all Audit Committee Chairmen. It is supplementary to the FAA Act and provides a guide to the format for reports, audit committee charter, audit committee's and internal audit unit's evaluation and other formats of presenting written communication.
- e) Newsletter. The Commission's newsletter was published and circulated to all Audit Committee members, Accounting Officers and Internal Audit Community in the third quarter. It highlighted the role of the Commission and how audit committees can add value to the services of the Ministries, Agencies and Departments.

#### 4. AUDIT COMMITTEES MAJOR CONCERNS

- a) Timeliness of Management Response. The rate at which management responds to audit queries and in some cases the quality of these responses need significant improvement. Of the twenty three annual reports received from the Audit Committees, eighty percent (80%) reported that outstanding management response was a recurring issue. This is an area that needs to be immediately addressed by the accounting officers and senior management as a lack of appropriate action by management will result in the perpetuation of the risk exposure, which may have significant financial implications on the government's scarce resources.
- b) Accountability. Lack of accountability by process owners and the lack of enforcement of sanctions to ensure accountability has in effect contributed to weak or ineffective systems of internal controls resulting in a proliferation of non-compliance and breaches within most entities.
- c) Pre-Audit. This continues to be a perennial issue where the internal audit function (IA) is required to conduct pre-audits of payroll and

leave calculations to ensure accuracy before final payments are made. It goes against the principle of independence in the profession, as by performing the pre-audit, IA is deemed as being a part of the operations. This is an inefficient use of the IA's resources and impairs its objectivity and independence. For instance, high risk areas identified to be audited within the financial year were not done due to the time spent on conducting pre-audits.

- d) *Staffing*. Most of the Internal Audit Units (IAUs) continue to experience grave challenges due to the inadequate numbers of staff. This has impacted on the IAUs' ability to provide appropriate audit coverage to monitor the risk exposures associated with the entities they serve. There are instances where there is only one internal auditor for an entity which has island-wide operations, for example, Child Development Agency and Ministry of Foreign Affairs.

## 5. FINANCIAL HIGHLIGHTS

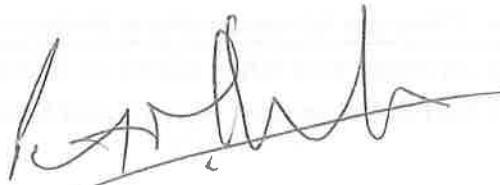
- a) The approved budget for the Audit Commission for the financial year 2013/2014 was JA\$894,000. The actual expenditure for this period was a total of JA\$805,806.80. The approved budget included the stipend paid to each Commissioner for attendance at meetings and the training session that was held on October 15, 2013.
- b) The overall amount paid for stipend to the seven Commissioners was JA\$108,500.00 (*See attached: Commissioners Compensation Schedule*) for the financial year and the overall expenditure for the Conference held on October 15, 2013 totaled \$697,306.80.
- c) The Audit Commission's finances are administered by the Ministry of Finance and Planning; that is, all expenses are met from an activity under the Ministry's recurrent head of expenditure. Hence, the details of its financials can be found in the Ministry's audited financial statement for the relevant period.

## 6. CONCLUSION

The Audit Commission, despite limited resources, continued to be fairly successful in its quest to ensure that established Audit Committees remain active and accomplish the goals of transparency and accountability within the entities under their purview for the

financial year 2013-2014. The focus going forward, will be on stronger monitoring and support for the Audit Committees in the areas of reviewing annual financial statements and following up on management responses to ensure better performance and effectiveness.

The Commission acknowledges that while it has its role to play in ensuring that sound governance practices are being followed it also holds the view that more stringent measures should be implemented, to assist the process of ensuring that the internal audit function remains independent and objective; and that the management of the relevant entities are held accountable for their failure to implement internal audit recommendations, to address reported internal control weaknesses/deficiencies.



**THE HON. PETER D PHILLIPS, PhD, MP**

**MINISTER OF FINANCE AND PLANNING**

~~APRIL~~ , 2015

May 15

## COMMISSIONERS COMPENSATION

For the period ending March 31, 2014

COMMISSIONERS	Gross Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
LEIGHTON MCKNIGHT (CHAIRMAN)	35,000.00	NIL	NIL	NIL	35,000.00
COLLIN GREENLAND	14,000.00	NIL	NIL	NIL	14,000.00
HOPE BLAKE	17,500.00	NIL	NIL	NIL	17,500.00
MARJORIE JOHNSON	14,000.00	NIL	NIL	NIL	14,000.00
DELORES LINTON- WILLIAMS	14,000.00	NIL	NIL	NIL	14,000.00
DWIGHT MOORE	10,500.00	NIL	NIL	NIL	10,500.00
NICOLE FOSTER- PUSEY	3,500.00	NIL	NIL	NIL	3,500.00

**Notes**

1. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.
2. The Gross fees are taxable at twenty five percent (25%).

