

MINISTRY PAPER # 14/16

GOVERNMENT OF JAMAICA AUDIT COMMISSION ANNUAL REPORT FOR FINANCIAL YEAR ENDING MARCH 31, 2015

1. INTRODUCTION:

The matter for tabling in the Honourable Houses of Parliament is the Annual Report for the Government of Jamaica's Audit Commission for the year ending March 31, 2015.

2. OVERVIEW:

The Government of Jamaica (GOJ) Audit Commission is a body corporate vested with the responsibility of overseeing the 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 2014-2015 there were seven (7) meetings that the Commission convened. There are currently thirty-two (32) Audit Committees under the purview of the Commission and all Committees are operating at full complement with a total of two hundred and fifteen (215) committee members.

3. OPERATIONAL HIGHLIGHTS:

- a) *Appointment of Members.* During the preceding period, several active committees experienced challenges with their membership which resulted in some committees operating below the requisite complement. As a result, the Commission appointed twenty-two (22) new members to serve on ten (10) audit committees.
- b) *Meeting with Stakeholders.* The Commission met with the chairmen and vice chairmen on January 29, 2015, to discuss effectively managing audit committees. A meeting was held with consultants from the Cabinet Office to discuss a comprehensive review of the implementation of the Executive Agency (EA) Model in Jamaica. In addition, meetings were held with Audit Committees, Accounting Officers and Chief Internal Auditors to examine improvements in the way these committees function.

- c) Training. The Audit Commission's Annual Training Conference was held on November 13, 2014. The theme for the conference was "Governance, Accountability and Effectiveness". In addition to audit committee members and Accounting Officers, this year marked the first time that students enrolled in the study of auditing and management at the Universities of Technology and the West Indies attended the conference.
- d) Gleaner Supplement. A Gleaner Supplement under the theme 'Enabling Greater Governance and Accountability in Government, through Effective Audit Committees' was published on July 3, 2014.

4. AUDIT COMMITTEES MAJOR CONCERNS

- Timeliness of Management Response. The twenty-nine (29) reports received from the audit committees showed some improvement in this area, as only 34% reported poor management response compared to 80% in the previous year. It is to be noted that significant delays in obtaining management responses as well as implementing audit recommendations, will result in repeated breaches and waste of government resources. This is an area, therefore, that needs to be immediately addressed by the Accounting Officers and senior management in order to reduce the risk exposure and avoid significant financial implications for the entity.
- Accountability. Lack of accountability by process owners and the lack of enforcement of sanctions to ensure accountability have in effect contributed to weak or ineffective systems of internal controls resulting in a proliferation of non-compliance and breaches within most entities.
- Manual System. The manual nature of the processes within some entities, has over time presented a source and opportunity for fraud and misappropriation. The processes are usually tedious and voluminous in nature, and it is easy for circumvented steps in the control mechanism to go undetected. The implementation of an appropriate information technology system to manage these processes should result in the reduction of control breaches.
- Staffing. Four (4) Internal Audit Units (IAUs) experienced grave challenges due to inadequate staffing. This impacted the IAUs' ability to provide appropriate audit coverage relative to the entity's risk exposure and vulnerability. For example, the Child Development Agency (CDA), an entity which has island-wide operations, only has one (1) internal auditor. Similarly, there is only one (1) internal auditor at

the Ministry of Foreign Affairs, which has many resident diplomatic missions and consular posts operating around the world.

- Financial Statement. It was reported that the ministries/agencies were tardy in presenting their annual financial statements to the internal auditors for verification as stipulated in the FAA Act Regulations, section 73. Committees' reports showed that 57% of the MDAs had financial statements outstanding for the 2014/15 period.

5. FINANCIAL HIGHLIGHTS

- a) The approved budget for the Audit Commission for the financial year 2014/2015 was JA\$1,194,000. The actual expenditure for this period was a total of JA\$987,713.37.
- b) The overall amount paid for stipend to the seven Commissioners was JA\$150,500.00 (*See attached: Commissioners Compensation Schedule*) for the financial year and the overall expenditure for the Conference held on November 13, 2014 totalled \$837, 213.37.
- c) The Audit Commission's finances are administered by the Ministry of Finance and Planning.

6. CONCLUSION

The GOJ Audit Commission has made concerted efforts to ensure that GOJ's governance mechanism is supported by functioning audit committees. Improvements have been observed in the monitoring and support provided by the Audit Committees.

Notwithstanding these efforts, the issues noted in this report could erode the progress made and increase the risk of breaches of the FAA Act and its attendant regulations. It is expected that the effectiveness of these committees will improve as the working relationship between major stakeholders continue to improve.

The Commission is committed to its mandate and will continue to engage the responsible accounting officers to mitigate risks by addressing, where necessary, governance issues reported and internal control weaknesses observed.



.....
THE HON. PETER D PHILLIPS, PhD, MP
MINISTER OF FINANCE AND PLANNING

JANUARY 13th, 2016

