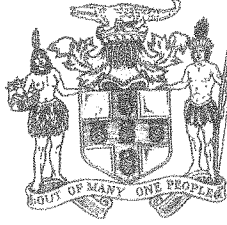




REPORT OF THE AUDITOR GENERAL ON
THE FINANCIAL TRANSACTIONS AND
FINANCIAL STATEMENTS OF THE
GOVERNMENT OF JAMAICA FOR 2016





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ANY REPLY OR SUBSEQUENT REFERENCE
TO THIS COMMUNICATION SHOULD BE
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December 23, 2016

The Honourable Speaker
House of Representatives
Gordon House
81 Duke Street
Kingston
Jamaica

Dear Sir,

Pursuant to the provision of Section 122(2) of the Jamaica Constitution, I have the honour to submit my report on the results of my examination of the accounts of the Island for the year ended 31st March 2016 for tabling in the House of Representatives.

Yours faithfully,

Pamela Monroe Ellis (Mrs.)
Auditor General

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ABBREVIATIONS & ACRONYMS

ACCA	Association of Certified Chartered Accountants
AuGD	Auditor General's Department
CAROSAI	Caribbean Association of Supreme Audit Institution
CISA	Certified Information Systems Auditor
CXC	Caribbean Examinations Council
EAU	Economic Assessment Unit
EMC	Executive Management Committee
FAA	Financial Administration and Audit
FCA	Fellow Chartered Accountant
FCCA	Fellow Chartered Certified Accountant
FPP	Fiscal Policy Paper
GOJ	Government of Jamaica
IBRD	International Bank for Reconstruction and Development
iCAT	ISSAI Compliance Assessment Tool
IDB	Inter-American Development Bank
IDI	INTOSAI Development Initiative
IMER	Internal Monthly Economic Report
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
ISAE	International Standards of Assurance Engagement
ISQC	International Standards on Quality Control
ISSAI	International Standards of Supreme Audit Institutions
MDA	Ministry/Department/Agency
MIND	Management Institute for National Development
MOFPS	Ministry of Finance and the Public Service
NCC	National Contracts Commission
NEPA	National Environment and Planning Agency
PAC	Public Accounts Committee
PBMA	Public Bodies Management and Accountability
PMF	Performance Management Framework
PSEP	Public Sector Efficiency Programme
SAI	Supreme Audit Institution

I am pleased to present my annual report for 2016. The report is divided into two sections which gives details of the operations of the Auditor General's Department (AuGD) as well as a synopsis of the key findings of the audits conducted between January and November 30, 2016.

The Department has actively sought to implement several strategies in support of the Government of Jamaica Vision 2030 National Outcome 6, "strengthening public institutions to deliver efficient and effective public goods and services". In ensuring that the audit work reflects emerging risks and meet the needs of stakeholders, the Department continued to review its audit strategy, which is reflected in the Strategic Business Plan for the period 2016 -2019. In keeping with the vision of the AuGD, we have adopted an approach which will ensure that the AuGD continues to make value added contribution to the development of the public sector and, by extension, to the lives of the citizens of this country. Therefore, our strategic business plan focuses on both strengthening our audit process through the deliberate and consistent application of high quality audit standards promulgated by the International Association of Supreme Audit Institution (INTOSAI). In addition, our internal processes are aimed at ensuring that our operation is demonstrative of good governance practices and reflective of our understanding and respect for the rule of Law, policies and procedures. In that regard, significant investment of time was spent in developing and adopting policies and guidelines to govern our core processes.

The Strategic Business Plan is supported by a thematic map which analyses the nature of the audit findings over the last five years beginning 2011. This thematic map aims to focus our attention on the areas of greatest need. I will include the thematic map in a report which will be submitted to the House of Representatives for tabling. The report is intended to provide an insight into the key areas of interest to the AuGD over the next three years. This I hope will remove the element of surprise and afford MDA's with an opportunity to self-assess and address weaknesses. Though not exhaustive, the report will provide a list of self-assessment questions to be used by MDAs.

With the recognition that even with the best intentions there is still a high inherent risk that things may not operate as they should, I ensured that our Internal Audit and Quality Assurance Units were provided with as much resources as we could afford. The staff of the Internal Audit Unit is also benefiting from training in Information Technology Audit which should add significant value to the operations of the AuGD. Both Units functioned effectively throughout the period and provided the assurance I needed that the operation of the AuGD is functioning as it should, and where it is not, our system of checks and balances should identify and enable us to correct deficiencies in a timely manner.

Continued professional development of the staff is important to achieve efficient and effective audit results. Consequently, I continue to place emphasis on structured and targeted training being delivered to all staff on an annual basis. Our training programme, which has internal and external components is supported by a Memorandum of Understanding with MIND to deliver specific training modules in keeping with our needs and standards promulgated by INTOSAI. Likewise, the staff benefitted from technical assistance and training funded by donor partners. Another approach adopted is in keeping with my view that as professionals we should get involved to evolve. In that regard, I grasp all opportunities available

to have members of staff participate in committees whether at the local, regional or international level. Members of this Department are appointed to committees of the Institute of Chartered Accountants, task force or working groups of INTOSAI and the INTOSAI Development Initiative (IDI). This has exponential benefit for the AuGD and the country because our participation is generally funded by these organisations whilst lending to the professional development of the staff involved. The knowledge gained is also applied in the organisation, which can be reflected in the improvement in the operations of the AuGD.

I have reported in the past that the AuGD has responsibility to lead a project team of the Working Group of Value and Benefits of Supreme Audit Institutions (SAIs) of INTOSAI for the development of a guideline for cooperation between SAIs and the Legislature, Judiciary and the Executive. This guideline has been substantially completed (save and except for appendices) and was endorsed at the last INCOSAI Congress which was held over the period December 5 to 11, 2016. Essentially, the guideline was endorsed by heads of SAIs from 163 countries.

As it pertains to regional involvement, approval was granted by the Cabinet for the AuGD to assume responsibility as Secretariat for the Caribbean Association of Supreme Audit Institutions (CAROSAI), this took effect June 2016. By virtue of this, the Auditor General of Jamaica is the Secretary General of CAROSAI. The Secretariat is funded by the Governments of the Caribbean through an annual subscription paid by Supreme Audit Institutions. CAROSAI is comprised of 23 member states with Curacao being the latest addition; CAROSAI is currently chaired by the SAI of Suriname. Some activities of CAROSAI are also funded by the World Bank, IDB and IDI. The main objective of the Secretariat is to promote the development of member SAIs through facilitating and/ or coordinating activities that will institutionally strengthen the SAIs in the Caribbean region to enable effective delivery of the respective mandates.

In pursuit of fulfilling my mandate as stipulated by the Constitution, we undertook 333 audits. This report is comprised mainly of audit issues emanating from our assurance audits (Compliance and Financial Statements). Reports relating to performance audits, economic and financial assessment and special audits have been or will be tabled separately. I cannot guarantee that all errors or irregularities were identified, as our scope was limited to the sample selected for review. Nevertheless, the audits were planned in such a manner to reasonably identify instances of breaches and irregularities. All audit findings were communicated to the respective MDAs and they were provided with an opportunity to respond. The findings suggest that there have been improvements in some agencies as it pertains to the systems of controls; however, there is still room for greater improvement.

Finally, I must commend my staff for their commitment, contribution and support despite the many challenges. The achievements of the AuGD and production of this report would not have been possible without their relentless efforts. I must also thank Heads of Departments of the various MDAs for the courtesies extended to my staff, as well as other stakeholders for their invaluable input.

Pamela Monroe Ellis, F.C.C.A., F.C.A, C.I.S.A.,

Auditor General

23rd DECEMBER 2016



OUR PERFORMANCE

OUR VISION

To promote a better country through effective audit scrutiny of Government operations.

OUR MISSION

Conduct independent audits and make reports to improve the use of public resources

Promote transparency, accountability, and best practices in Government operations

Develop and maintain the professional competence of our staff

Maintaining relevance to citizens, Parliament and other stakeholders; and

Ensure transparency, accountability, effectiveness and efficiency in our internal processes, with due regard to quality and best practices.

OUR VALUES

We adhere to the highest level of auditing and ethical standards.

Integrity



Our audit conclusions and opinions are based exclusively on evidence obtained and assembled in line with auditing standards.

Objectivity



We conduct impartial audits of public bodies without regard to personal or external interests.

Independence



We apply the highest professional standards and due care in carrying out audit assignments.

Professionalism



We conduct audit assignments with due regard to privacy of our client's information and adhere to the standards for disclosure or dissemination of audit findings and opinions.

Confidentiality



We aim to produce reports and audit opinions that are thoroughly accurate and can be relied on by the general citizenry.

Credibility



THE ROLE OF THE AUDITOR GENERAL

1.1.1 The duties and responsibilities of the Auditor General are entrenched in the Jamaican Constitution and the Financial Administration and Audit (FAA) Act. Accordingly, the Auditor General is responsible for assessing the effectiveness of the management of the Government of Jamaica's financial management systems and the level of compliance with financial management policies and guidelines. In performing the audit, the Auditor General under Section 25 (a) of the FAA Act shall be entitled at all reasonable times to have access to all records, and to call upon any officer for any explanation and information that the Auditor General may require in order to enable him to discharge his duties. Further, nothing in the Constitution shall prevent the Auditor General (AG) from undertaking other functions related to the audit of other accounts of the Government of Jamaica and public bodies which administer public funds.

Annual Report

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

Special Report

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

Performance and Regulatory Audits

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

Fiscal Policy Paper (FPP)

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

Any Public Body

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

ACCOUNTABILITY

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

EXECUTIVE MANAGEMENT COMMITTEE (EMC)

- 1.1.3 The Executive Management Committee (EMC), which is chaired by the Auditor General and comprises the Deputy Auditors General and two named Audit Principals, was established in 2014 to provide strategic leadership and direction for the operations of the Department in the most efficient, effective, transparent and economical manner.

Roles and Responsibilities of the EMC

- Sets the strategic direction of the Department – review and sign off on the business plan and budget
- Reviews quarterly and annual performance of the Department and make recommendations as appropriate
- Reviews and responds to recommendations from the Audit Committee and management subcommittees
- Periodically reviews and sets operational policies and signs off on recommendations from other internal committees and subcommittees
- Manages the Department risk management framework.

AUDIT COMMITTEE (AC)

- 1.1.4 The Audit Committee provides oversight on key aspects of internal controls and quality in the Department's operations and is required to provide independent advice to the AG on the adequacy of these areas. It is comprised of one internal and four independent members approved by the Government of Jamaica Audit Commission.

Roles and Responsibilities of the Audit Committee

- 1.1.5 Advise the Audit Commission on:
- practices and procedures which will promote efficiency and quality of service in the Department;
 - the extent to which the objects of the Department are being achieved; and
 - the adequacy, efficiency and effectiveness of the accounting and internal control structures and systems of the department.

- 1.1.6 Advise the Auditor General on matters pertaining to its:
- Reviews of the Department's compliance with laws, regulations, policies, and standards of ethical conduct
 - Reviews of the Department's risk profile and risk management arrangements and internal controls
 - Overseeing of the work of the Department's internal auditors and its quality control functions
 - Reviews and comment on internal audit reports and advise the AG on appropriate action

INTERNAL AUDIT UNIT (IAU)

- 1.1.7 The Internal Audit Unit reports functionally to the Audit Committee and administratively to the AG. It has responsibilities for the execution of the following key activities/functions:
- Submit, on a regular basis, reports in writing to the Auditor General in respect of the Department;
 - Make quarterly reports to the Financial Secretary containing its findings and recommendations as considers necessary.
 - Examine the accounting systems, internal controls, risk management and governance processes of the Department
 - Prepare a rolling three-year strategic internal audit plan based on its assessment of key risks areas including those identified in the Department's strategic plan and risk management strategy.

QUALITY ASSURANCE UNIT (QAU)

- 1.1.8 The Quality Assurance Unit reports directly to the Auditor General and is responsible for the execution of the following key functions/activities:
- Conducts quality assurance reviews
 - Identifies potential methodology to be implemented to improve audit processes
 - Develops and monitor quality controls.

CORPORATE SERVICES DIVISION (CSD)

- 1.1.9 The Corporate Services Division has specific responsibility for activities relating to corporate governance.

Roles and Responsibilities of the CSD:

- Management of Human and Financial Resources
- Management of the Department's procurement functions
- Monitoring of the Departments' performance management and evaluation system

- Information and Communications Technology
- Development and management of the Department's processes, policies and practices.

STAKEHOLDER CONSULTATION AND ENGAGEMENT

- 1.1.10 During the period under review we implemented a number of strategies to communicate effectively with our stakeholders while ensuring that their concerns were factored in the audit process to enhanced our relevance.
- 1.1.11 Focus groups/interest groups are engaged to broaden stakeholder participation to improve the audit scope and quality. Survey instruments are used to solicit feedback from internal and external stakeholders regarding the Department's professionalism and performance in order to improve the quality of our audit process.
- 1.1.12 We also hosted an orientation session for the newly constituted PAC members to enhance their knowledge and understanding of the role and responsibilities of the AuGD. In order to make our reports user friendly to the PAC members, we prepared briefing packages that outlined in a summary form the issues raised, management's response and status of implementation of our recommendations by the MDAs.
- 1.1.13 Going forward, our upgraded website will allow concerned citizens to provide feedback on our published reports and any other issues that affect the operations of Government entities.

OUR ACHIEVEMENTS

7 Special Audits

7 Performance Audits

2 Reports on the FPPs

116 Financial Statements Certified

39 Compliance Audits

5,200 Pension computation verified

- 1.2.1 Of the 373 audits scheduled for the period under review, a total of 190 were completed including 22 that were returned to clients for correction of errors. This represents a 50.9 percentage completion rate, however, another 143 audits are work-in-progress (WIP). The Department's audit activity rate was therefore 333 of 373, or 89.3 per cent. WIP captures audits that are in process which have been delayed for a variety of reasons including the failure of auditees to respond and/or amend the reports based on our queries and return for finalisation. 40 audits were not scheduled to be completed at reporting date based on our Fiscal Year Plan.
- 1.2.2 The Department continued to increase its accessibility to the general public through the use of social media including LinkedIn, and the revamping of its website.
- 1.2.3 In an effort to expand our audit types to meet the growing demands of the public sector, the Department took the decision to reinstate our IT Audit Unit. These audits are intended to assess whether or not funds spent by GOJ on the acquisition and development of various information systems have realized their objectives. Further, this unit will seek to assess the effectiveness of the applications and general controls within the MDAs IT environment. The auditors participated in an intensive training programme to enrich the technical competencies of the cadre of auditors available to the Department to conduct IT audits; a precursor to the full rollout of our IT audit programme.

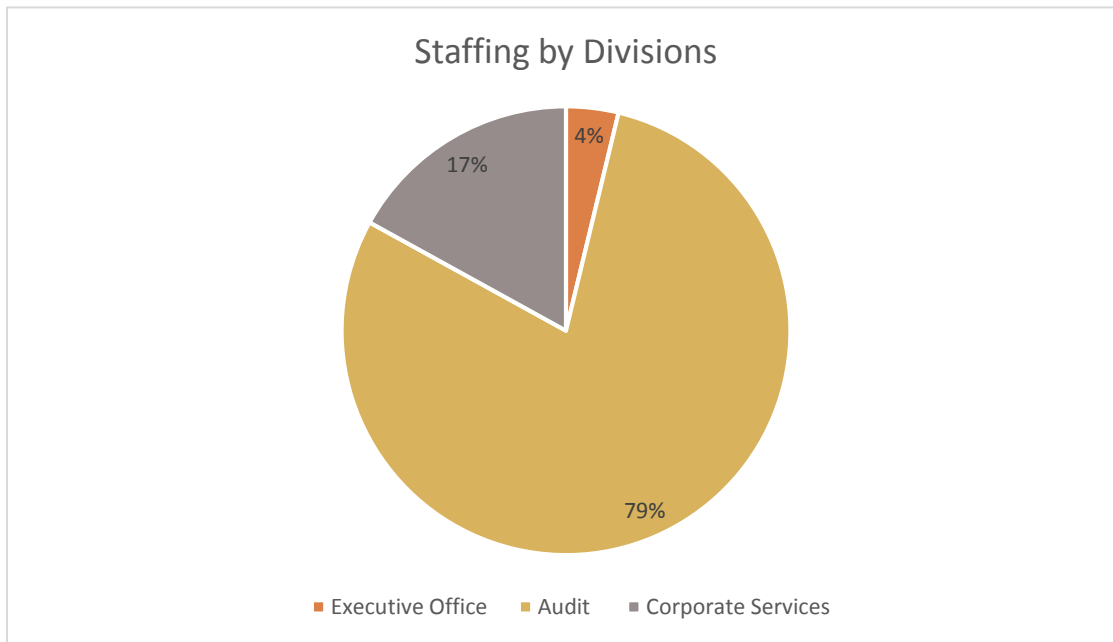
OUR CHALLENGES

1.2.4 The timing in submission of financial statements and supporting documentation by some clients continued to hamper the Department’s ability to complete the audit within our planned schedule. In the case of performance audits, the turnaround time for clients to present their responses and/or provide evidence in cases where they disputed the audit findings continued to be a challenge. However, the Department is implementing strategies and processes geared at improving the response times to our requests.

WORKFORCE CAPACITY

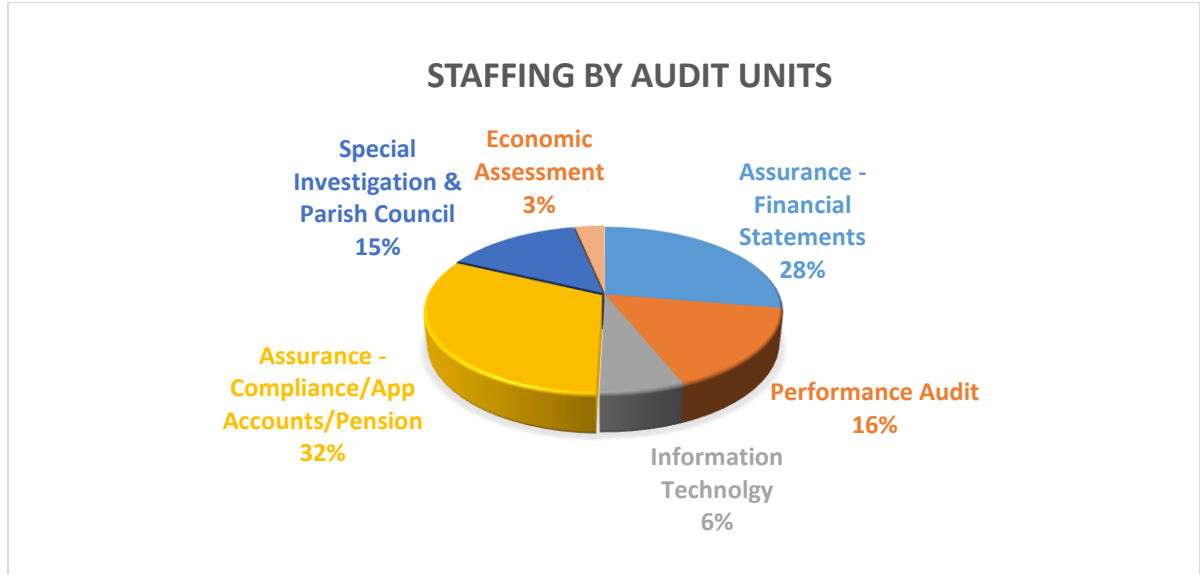
1.2.5 The Department’s workforce comprises the following groupings: Audit (Performance and Assurance), Executive Office (the Auditor General, Internal Audit and Quality Assurance) and Corporate Services Division (Human Resources & Administration, Information Technology, Finance & Accounts and Corporate Planning and Public Education). This breakdown is illustrated in Chart 1 below.

Chart 1



A further breakdown of the staff members engaged in the audit function is detailed as follows:

Chart 2



1.2.6 The reallocation of staff within the Assurance Audit Unit resulted in more than 60 per cent of backlog audits being completed. The remainder of this backlog is estimated to be completed by September 2017.

Staff Qualification Profile as at November 2016¹

Approved Capacity	* Total staff complement	ACCA	Master's	Bachelor	Diploma (only)	Associate Degree (only)	Other Professional Qualification	**Certificate s (includes CXC	***No qualification
210	160	17	25	86	8	6	17	21	5

* Shortfall relative to capacity 50

** Caribbean Examinations Council

*** Ancillary staff

¹ The qualification columns are not discrete as some persons have combinations of the abovementioned qualifications.

STRENGTHENING OUR HUMAN CAPITAL

- 1.2.7 Several training initiatives were embarked on with our strategic partners. Training in conducting Information Technology Audits and in the use of the Supreme Audit Institutions Performance Management Framework (SAI-PMF) were two key initiatives carried out during this period.
- 1.2.8 The Department actively support the continued education, exposure and training of staff members which was facilitated by local institutions and international organisations such as MIND and ACCA.

PARTNERSHIPS

- 1.2.9 The Department continues to benefit from capacity building initiatives through assistance from its strategic partners in the harnessing of technology to support increased efficiencies of processes and the modernization of the Departments key operational functions. These initiatives were complemented by our participation in Global Resource Teams tasked with strengthening auditing techniques and standards.

INTER-AMERICAN DEVELOPMENT BANK (IDB)

- 1.2.10 The Inter-American Development Bank (IDB) has supported the Department's goal of becoming a paperless office. This initiative was started in 2012 with the acquisition of TeamMate and 40 laptops. Over 90 per cent of the Department's audit staff complement are equipped with laptops which have the TeamMate software installed to effectively carry out their duties.
- 1.2.11 The newest project underway with the IDB seeks to modernize the Department's Registry functions to reduce the time it takes to access client information stored within our Registry. The revamping of operational procedures and the purchasing of an Enterprise Content Management Solution will further enhance the Department's ability to:
- Harness technology thereby reducing its operating costs of printing, shipping and storing paper because content is captured digitally
 - Improve customer service by minimizing the amount of time spent searching or waiting for documents; allowing for online real-time visibility into the status of requests, transactions and orders
 - Minimize risk as it facilitates the easy tracking of all access and activities, and enhances application of security policies which further support reporting and auditing of information.

CARIBBEAN ORGANIZATION OF SUPREME AUDIT INSTITUTIONS (CAROSAI)

- 1.2.12 The Department was elected by CAROSAI to host the Secretariat in July 2016; consequently, the Auditor General of Jamaica was appointed the Secretary General of CAROSAI.

1.2.13 CAROSAI's is an affiliate of the International Organization of Supreme Audit Institutions (INTOSAI), which was established in 1953 and operates as an umbrella organization for the external government audit community.

1.2.14 Jamaica, as host of the CAROSAI's Secretariat, will be responsible for:

- Executing the decisions and tasks of Congress and the Executive Council of CAROSAI;
- Conducting organizational issues related to meetings of Congress and Executive Council;
- Preparing projects of activities and financial reports of CAROSAI;
- Preparing and executing the annual budgeted projects of CAROSAI;
- Carrying out Secretariat functions given by CAROSAI; and
- Monitoring the implementation of CAROSAI's Strategic Plan.

INTOSAI DEVELOPMENT INITIATIVE (IDI)

1.2.15 The INTOSAI Development Initiative is another key partner that support the Department through our inclusion in working groups and global teams that are established as resource pools for the wider INTOSAI membership. The INTOSAI Development Initiative (IDI), a non-profit organization, acts as the capacity building secretariat of the International Organization of Supreme Audit Institutions (INTOSAI), which today comprises 189 Supreme Audit Institutions (SAIs). The appointment of the Auditor General to their governing board will also serve to enhance the relationship between Jamaica and IDI.

Jamaica was also invited to participate in three keys activities during this FY by the IDI. They are:

The Finalisation of guidance document on Performance Audit on Corruption.

1.2.16 This activity will see a designated officer from the AuGD serving as mentor facilitating an E-Course and guiding the execution of corruption audits throughout INTOSAI. The audit to be executed involves the examination of the institutional frameworks for fighting corruption in at least 58 jurisdictions. It is proposed to be a preventative measure for corruption, rather than for detection, which will be more impactful and aid in the reduction of corruption worldwide. The programme involves a two-part E-Course relating to Performance Audit on Corruption and the implementation of a Revised Code of Ethics in SAIs.

ISSAI Implementation Initiative (3i Programme), Phase II – Financial Audit Product

1.2.17 This programme had four main outcomes which were required from the working group to allow for its execution:

- Improve the Financial Audit ISSAI Compliance Assessment Tool (iCAT) based on the feedback provided by the users to make it user friendly;
- Reposition iCAT as a Quality Assurance (QA) tool;
- Develop QA guidance for financial audit; and

- Finalize the draft ISSAI Implementation Handbook.

Project 4: Cooperation between SAIS, the Legislature, the Judiciary and the Executive that focuses on the SAI'S ability to Promote Accountability that leads to Administrative and/or corrective sanctions being imposed.

- 1.2.18 Jamaica serves as the Project Coordinator of this Committee which comprises of persons from SAI Mexico, SAI France, SAI Namibia and SAI Peru. The team is tasked with determining what practices currently exist and develop guidelines for best practices to support the realization of the intended values and benefits of SAIs to its jurisdiction.

OUR FINANCIAL MANAGEMENT

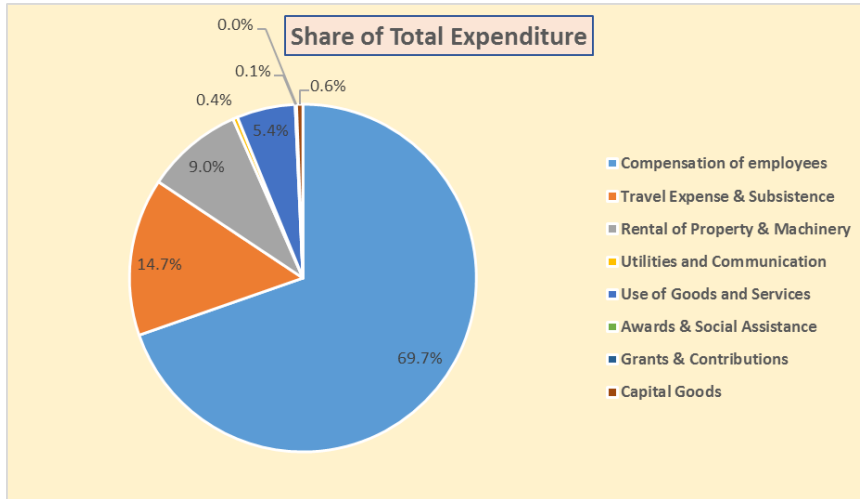
- 1.2.19 The Department's approved expenditure budget for the financial ended 31 March 2016 amounted to \$521,614,000 while the actual expenditure was \$470,719,106 against \$322,556,982 for 2014-2015. The approved revenue budget, namely Appropriation-in-Aid (AIA), was \$7.0M against \$10.0M for 2014 – 2015. The Department collected \$1,836,796 in excess of the \$7.0M projected, and this excess was lodged to the Consolidated Fund as is required by law, thus only \$7.0M was available to the Department for budgetary support.
- 1.2.20 The Appropriation Accounts for the year were submitted to the Ministry of Finance and the Public Service (MoFPS) to be audited in accordance with Section 122 (4) of the Constitution.
- 1.2.21 The Department's focal activity is highly dependent on its human capital, hence compensation of employees accounted for a significant portion (\$327,986,631 or 69.7%) of total expenditure. This amount was, however, favourable to budget by \$46.2M or 12.3% but significantly up from the \$184.4M or 57.2% of total expenditure for prior year. The increased expenditure reflects the ongoing implementation of the revised structure which was approved by MoFPS in April 2015 and also increased salary rates of 5% approved by MoFPS for the 2015-2016 financial year. Actual expenditure was less than planned; however, funding for the full implementation of the revised structure was approved in the budget.
- 1.2.22 Travel expenses and subsistence of \$69.02M which accounted for 14.75% of total expenditure exceeded the approved estimates of \$59.25M by 16.5%. this resulted from the employment of additional staff and also staff acquiring motor vehicles. Prior year expenditure was \$71.9M which accounted for 22.3% of budget. The other major items of expenditure were rental of property and machinery of \$42.58M which exceeded budget by \$0.68M or 1.6% and accounted for 9% of total expenditure. This item of expenditure was also impacted by the employment of additional staff and other members acquiring motor vehicles Also, goods and services of \$25.6M which accounted for 5.4% of expenditures but were favourable to budget by \$10.64M or 29.3%. The Department had an overall favourable expenditure of \$50.89M or 9.8% of approved budgeted expenditure. The favourable variance was also strengthened by lower than expected amounts spent on capital goods of \$9.5M resulting from the non-acquisition of Information and

Communications Technology equipment and services. The IDB funded the acquisition 40 Laptops under the ESEP Project hence there was no need to utilise the capital expenditure budget. See table below:

Table 1: Summary of Expenditure vs. Budget for Financial Year Ending March 31, 2016

Object	Description	Revised Estimates 2015/2016	Actual Expenditure 2015/2016 (Unaudited)	Variance Surplus/(excess)	% Variance from Budget fav/(unfav)	% Share of total Expenditure
		(J\$)	(J\$)	(J\$)	%	%
21	Compensation of employees	374,177,000.00	327,986,631.41	46,190,368.59	12.3	69.7%
22	Travel Expense & Subsistence	59,256,000.00	69,020,151.85	(9,764,151.85)	(16.5)	14.7%
23	Rental of Property & Machinery	41,900,000.00	42,585,908.26	(685,908.26)	(1.6)	9.0%
24	Utilities and Communication	2,990,000.00	2,110,422.86	879,577.14	29.4	0.4%
25	Use of Goods and Services	36,279,000.00	25,636,999.29	10,642,000.71	29.3	5.4%
29	Awards & Social Assistance	1,500,000.00	427,200.00	1,072,800.00	71.5	0.1%
30	Grants & Contributions	181,000.00	180,921.94	78.06	0.0	0.0%
32	Capital Goods	12,331,000.00	2,770,870.45	9,560,129.55	77.5	0.6%
Total Funding requirement		528,614,000.00	470,719,106.06	57,894,893.94	11.0	100.0%
Appropriations in Aid (AIA)		(7,000,000.00)	(8,836,796.28)	1,836,796.28	(26.2)	
Net Funding Requirement		521,614,000.00	461,882,309.78			100.0%

Chart 3



OUR IMPACT

- 1.3.1 Our impact on key stakeholders improved in 2015-2016 as our special investigations and performance audits (PAs) continued to inform the public on how the Government utilized scarce financial resources and complied with laws and regulations. The MDAs largely accepted our findings and most have indicated that they have taken steps to implement our recommendations. Civil society also utilized our reports to aid in public debate on transparency and corruption issues. We continued to build public awareness through our website which recorded an increased number of hits relative to the previous year and an increasing number of concerns were brought to our attention by the public, for follow-up.
- 1.3.2 We measure the effectiveness of our activities and resources through the following four key outcomes:
- Better public sector financial management and governance through provision of high quality reports and actionable recommendations
 - Audit work reflects emerging risks and stakeholder's concerns
 - Multifunctional and adaptable human resource cohort that is responsive to an evolving environment
 - Enhanced efficiency and quality of audit processes and support services.

IMPACT ON AGENCIES

- 1.3.3 The Ministries, Departments and Agencies (MDAs), the Public Accounts Committee and Parliament require and expect the Auditor General's Department to conduct independent audits and present relevant, objective, timely and credible comprehensive reports to promote improved accountability in the use of public resources.
- 1.3.4 The MDAs largely acted on the audit findings and sought to implement our recommendations that have the potential to improve the administrative and financial management of the audited entity. Of note, some MDAs opted to take remedial action even while our audits were progressing, signifying management's reluctance to receive adverse audit findings and also taking a proactive approach to correcting deficiencies identified by our Department. The Public Accounts Committee of Parliament (PAC) reviewed our performance and special audit reports and although PAC reports are not debated in the House of Parliament, our audit findings prompted the Government to implement changes aimed at improving the governance structures of a number of MDAs. Our follow-up performance audit reports and verification of issues raised in compliance audits also showed clearly attributable improvements and efficiencies in key business processes. However, breaches of relevant Government policies and guidelines persist within some MDAs and must be addressed.

- 1.3.5 Selected entities were surveyed to obtain their feedback on the audit process and the conduct of the audit team in order to improve the audit quality. Unfortunately, only one entity responded. To their credit, however, MDAs have increasingly viewed our audits as an opportunity to obtain an independent examination of the progress made in delivering on their core mandate, and provide a level of assurance to Parliament, and the public, of their worth to citizens.
- 1.3.6 The recent experience with the National Environment and Planning Agency is a case in point. In 2010, we conducted a Performance Audit (PA), which outlined weaknesses in monitoring and enforcement, key activities of NEPA’s role in protecting the environment. Subsequently, the Agency embarked on a major corrective programme, utilizing the PA report and incorporating our recommendations in their Strategic Business Plans, which resulted in significant improvements as outlined in our follow-up audit.

[http://www.auditorgeneral.gov.jm/files/u5/rmance Audit Follow-Up Report September 2016.pdf](http://www.auditorgeneral.gov.jm/files/u5/rmance%20Audit%20Follow-Up%20Report%20September%202016.pdf)

IMPACT ON PUBLIC DEBATE

- 1.3.7 For the 2016 calendar year, twelve performance, special and other reports were submitted for tabling in Parliament, and subsequently made available to the public through our website. The key findings and recommendations triggered widespread discussion in the public arena, given various corporate governance failures, value for money considerations and breaches of Government policies such as procurement guidelines and payment of emoluments.

Figure 1

The Media and Civil Society Communicate 2016 Audit Findings



- 1.3.8 We have also improved our website to include PowerPoint presentations and separated the foreword and executive summary to outline the key findings, conclusions and recommendations for each report. These changes have allowed the public to better understand the key issues or concerns arising from our audit work.

LOOKING FORWARD

- 1.3.9 In January 2017, we will publish our Thematic Mapping Report wherein we have categorized five major themes which will guide our audit focus, namely:
- Governance
 - Project and programme management
 - Resource management
 - Procurement and contracts management
 - Information and Communications Technology.
- 1.3.10 The Thematic Map is consistent with our Strategic Business Plan and highlights the areas of concerns expressed by the citizenry and parliamentarians. Our website is currently undergoing significant improvements and when completed will facilitate greater interaction with our stakeholders and allow for assessment of the public interest as measured by the number of hits and subscriptions to our reports. Additionally, electronic versions of reports will be more accessible and user-focused, which will ultimately allow for greater reach to the populace.

LEADING BY EXAMPLE

INTERNAL OVERSIGHT

THE YEAR IN REVIEW

- 1.4.1 The Internal Oversight Unit is charged with the responsibility of providing oversight for both the quality assurance and internal audit functions. Quality assurance (QA) provides assurance that: the standards and methodology employed by its auditors in the audit process are maintained at a high level in keeping with international standards of Supreme Audit Institutions (SAIs), and the reports issued are appropriate. Internal audit (IA) on the other hand evaluates the adequacy and effectiveness of the governance, risk management and internal controls of our Department's systems and operations. Both the QA and IA units in their oversight role are independent of our audit function and operational activities.

Relevant Strategic Objectives:

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

QUALITY ASSURANCE

THE YEAR IN REVIEW

- 1.4.2 A Quality Assurance Review Policy and a detailed plan of activities to be undertaken by the unit was developed and implemented. A QA procedural manual is being developed, which when completed will include Guidelines for QA reviews.
- 1.4.3 The QA reviews performed to date were planned and conducted in accordance with international standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Weakness identified at the institutional and individual engagement levels were reported on for remedial actions. We have already seen evidence of the steps taken to implement these recommendations.

LOOKING FORWARD

- 1.4.4 There were some resource constraints within the QA unit during the developmental period; however, it is expected that the unit will see an increase in the number of assigned staff before the end of the fiscal year. This will provide for the strengthening of the resources in the unit, resulting in the conduct of a greater number of quality assurance reviews by the unit and its

ability to improve the contribution made in its monitoring role for the audits undertaken by the Department.

- 1.4.5 We are currently in the process of subjecting our Department to an assessment of its own using the SAI-PMF methodology, which is being conducted by independent consultants. The support for this evaluation is being made available by the Inter-American Development Bank (IDB) using the modified SAI-PMF Version (2016) and is expected to be completed in March 2017. This will augur well for the Department and further strengthen the capacity building process of the audit function and its compliance with international standards.

INTERNAL AUDIT

THE YEAR IN REVIEW

- 1.4.6 The internal audit team delivered on most of its major objectives which resulted in the identification of areas of weakness and allowed for improvements to be made by the Department in 2016. Ninety-one per cent of planned audits were completed. The IA unit followed up on the status of implementation of recommendations to correct weak internal controls and improve governance practices. The unit reported on a quarterly basis to an independent Audit Committee, whose members are appointed by the Government of Jamaica Audit Commission.
- 1.4.7 Summarized below are the audits conducted by the IA unit and presented to the Committee during the year.

Table 2: Internal Audit Areas Examined for the period November 2015 through to October 2016

AUDIT TOPICS	STATUS: PRESENTED TO AUDIT COMMITTEE
Monthly Financial Statements	Completed
Appropriation Accounts (2016)	Completed
Bank Reconciliations	Completed
Accounts Receivables Management – Appropriation-In Aid (AIA) Receipts	Completed
Human Resources – Performance Management Appraisal System (PMAS)	In progress
Follow up and reporting on the Office of the Services Commission (OSC) Audit Report	Completed; updates on current status presented
Motor Vehicle Upkeep and Allowances	Completed
Advances and Travel Expenses	Completed
Capital Expenditure – Fixed Assets and Inventory Management	Completed; updates on current status presented
Contracts Procurement Process – Maintenance for Offices, Repairs to Furniture and Fixtures	Completed
Quarterly Contract Awards (QCA) Reports	Completed
Unplanned Audits – via the Accounts Unit and the Ministry of Finance Circulars	Completed on request

1.4.8 During the year, the IA team participated in TeamMate² training facilitated by Consultants (from the accounting firm PricewaterhouseCoopers) contracted through the Ministry of Finance and the Public Service - Internal Audit Directorate Unit. Despite the incomplete implementation of the programme due to IT connectivity issues, the training has provided the platform for the utilization of our own internally managed TeamMate software application here at the AuGD.

LOOKING FORWARD

1.4.9 The IA staff is currently being trained in the techniques for conducting Information Technology (IT) audits and e-risk assessments. This will further strengthen the unit’s capacity to undertake reviews of AuGD IT systems, which is included in the annual audit plan and slated for completion in 2017. Going forward, it is expected that the unit will continue to provide the “value-added” service component being reflected in the improvements in the operations of the Department.

² TeamMate is the software application used by auditors in maintaining documentary evidence during the phases of the audit process.

PERFORMANCE AUDIT UNIT

THE YEAR IN REVIEW

- 1.5.1 We delivered on key strategic objectives of the Department in 2016, through implementation of our performance audit plan. Our audits highlighted a common theme of poor governance practices and weak public financial management in a number of public bodies. In particular, some public bodies did not faithfully adhere to the Public Bodies Management & Accountability (PBMA) Act or Government guidelines while there were also deficiencies in financial and human resource management. On a positive note, our follow-up audit revealed improvement in service delivery and the adoption of the Auditor General's recommendations from a previous audit.
- 1.5.2 Our performance audit reports enabled greater transparency and scrutiny of public bodies; assisted Parliament through the Public Accounts Committee (PAC), to hold public bodies accountable; and prompted actions to strengthen the management and boards of some public sector bodies. We continued to benefit from the trust and support of the public who also provided valuable feedback and raised issues of concerns.

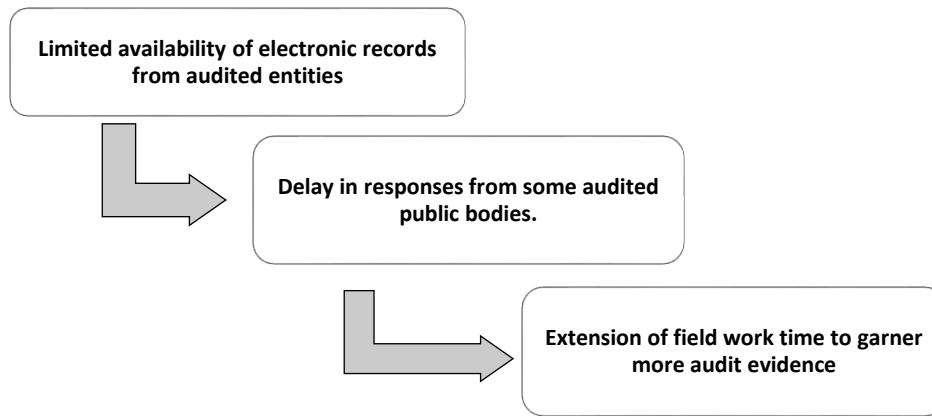
Relevant Strategic Objectives:

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

OUR ACHIEVEMENTS

-  We submitted 80 per cent of our audit reports to Parliament according to schedule
-  We cleared the backlog of performance audits of previous years and conducted a follow up audit as planned
-  We improved the quality of our audits through greater engagement with stakeholders (focus groups) at the pre-planning stage and increased levels of reviews

OUR CHALLENGES



THE YEAR AHEAD



PERFORMANCE AUDIT REPORTS

- 1.5.3 The performance audit programme seeks to provide assurance to Parliament and the public on the efficiency, effectiveness and economy of the operations of Government Ministries, Departments and Agencies (MDAs). It may examine all or selected activities of public bodies with the aim of improving governance practices and financial management. The audits may also take into consideration the entity's strategic and operational plan; requirements under the PBMA Act; the FAA Act, Government Procurement Policy, as well as other Government guidelines.

1.5.4 We select our audit topics using a risk-based methodology to assess the level of improvement achieved, or implementation of our recommendations since the most previous audit.

QUANTITY

1.5.5 Our performance audit programme for 2016-17 targeted six reports. By the end of 2016 we had completed and submitted four reports to Parliament, with the remaining two audits scheduled for completion in early 2017. Of the four reports completed in accordance with the 2016-17 programme, one represented a follow up audit. Two reports from previous audits were re-scoped to include new evidence and submitted to Parliament in 2016.

Chart 4

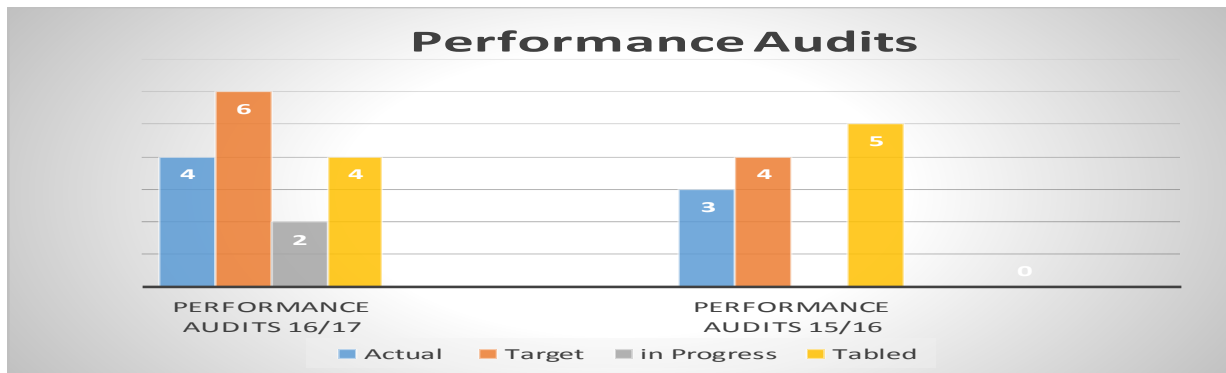


Table 3: Audit Topics Covered

AUDIT TOPIC	AUDIT PLAN	STATUS	SUBMITTED / TABLED	DEADLINE FOR SUBMISSION	COMMENT
Ministry of Health- Management of Mental Health (<i>Rehabilitation & Reintegration of the Mentally ill</i>)		Tabled	May 2016	Met	
NEPA	Follow-up	Tabled	Sept 2016	Met	
Tax Administration Jamaica- <i>Property Tax Collections & Enforcement</i>	Carried forward	Tabled	July 2016	Not met	Scope redefined
Bureau of Standard Jamaica – <i>Monitoring for Compliance</i>		Tabled	Nov 2016	Met	
Port Authority of Jamaica	Special audit	Tabled	July 2016	Not met	Scope redefined
Jamaica Mortgage Bank: <i>Loans Management</i>		Submitted to Parliament	Dec 2016	Not met	Extended review
Debt Management Branch	Carry forward	Completed		Not met	Scope redefined
National Insurance Fund: <i>Investment</i>		In progress		Not met	Extended review
Consultancies <i>Ministry of Finance Ministry of Education Office of the Prime Minister</i>		In progress			Due Jan 2017
National Health Fund <i>Inventory Management</i>		In progress			Due Feb 2017
National Water Commission: <i>Procurement and Contract Management</i>		In progress			Due Feb 2017
South East Regional Health Authority (SERHA): <i>Procurement</i>		In progress			Due Feb 2017

OUR FINDINGS

- 1.5.6 Common themes from our findings included weaknesses in governance practices and inefficient prioritisation of human and financial resources (*See audit reports on Auditor General's Department website*).

PORT AUTHORITY OF JAMAICA (PAJ)

- 1.5.7 Our special audit of the **Port Authority of Jamaica (PAJ)** highlighted instances where governance practices were inconsistent with the PBMA Act and MoFPS Circulars. The employment contracts of senior officers provided for the payment of a retirement benefit, at the discretion of the Board; however, the requisite approval was not sought from the MoFPS, in breach of the guidelines. The contracts for some senior officers also provided for gratuity of 25 per cent of gross taxable emoluments contrary to a MOFPS Circular, which stipulates that gratuity should be paid on basic pay only.

MINISTRY OF HEALTH (MOH)

- 1.5.8 Our audit of the Ministry of Health: Management of Mental Health (Rehabilitation & Reintegration of the Mentally ill) found that Bellevue Hospital accounted for 95 per cent of the Ministry's total expenditure on mental health between 2010 and 2015 but only treated 22 per cent of mentally ill patients.

TAX ADMINISTRATION JAMAICA: PROPERTY TAXES

- 1.5.9 Tax Administration Jamaica (TAJ) devoted significant resources to the collection of property taxes but was ineffective in ensuring a high level of compliance among registered properties. TAJ only collected 45 per cent of total obligations on average, over the three-year review period FY2013-14 to FY2015-16; with an increase nominal collections being mainly due to an increase in the property tax rate in April 2013.

BUREAU OF STANDARDS JAMAICA (BSJ)

- 1.5.10 Our audit found that BSJ Monitoring activities mainly focussed on conformance with labelling standards and placed limited emphasis on testing for quality. There was no significant improvement in BSJ's monitoring of gas nozzles since our audit of May 2004 and there was a backlog of mandatory standards to be reviewed. To BSJ's credit, a Job Management and Tracking System (JMTS) was acquired to record and monitor inspections and laboratory activities in the domestic market and ports of entry. However, BSJ only utilised the data entry functions; as the compliance connect interface to enable real time monitoring of inspectors' activities was not implemented. Further, BSJ did not possess the necessary equipment to test tyres for internal defects; instead BSJ only conducted visual inspection.

NEPA

- 1.5.11 Our follow up of our 2010 audit of NEPA, revealed improvement in performance. We found that NEPA made greater use of its enforcement tools to increase compliance; improved its response

to environmental threats reported by the public and increased submissions of development orders. Further, NEPA implemented our recommendation to integrate the preparation of their State of the Environment (SOE) reports in their planning decisions, which could assist in promoting sustainable development. Our previous audit of NEPA had revealed that data to assess the current SOE were only collected once and were not evaluated; as such, taxpayers received no value from the exercise.

JAMAICA MORTGAGE BANK (JMB)

- 1.5.12 Our audit found that successive boards and management of the JMB approved loans without exercising adequate due diligence, which may have contributed to the high level of non-performing loans (NPL). The significant fall in stock of NPLs between 2009, was mainly due to settlement arrangements with delinquent borrowers. This resulted in write-offs and potential losses measured as the difference between the fair value and the recorded cost. Further, JMB did not consistently assess the financial and technical capabilities of developers to meet their loan obligations and there were instances where loans were approved to liquidate debt and acquire land contrary to JMB's Construction Financing Policy. We found no evidence that the Board approved the deviation from its policy when it approved loans to purchase land and liquidate debt.

QUALITY

- 1.5.13 We aim to achieve the highest standards for our audits, improve the quality of public financial management and satisfy the need of stakeholders. In this regard, our audits were planned and conducted in accordance with the Government auditing standards, which are applicable to Performance Audit and issued by the International Organization of Supreme Audit Institutions (INTOSAI). Selected audit reports were reviewed by the Quality Assurance Unit to ensure conformance with the Performance Audit Standards (ISSAI 3000-3100) as well as the Department's policies, mission and vision. The reviews were conducted in accordance with the Department's Quality Assurance Framework and International Standards on Quality Control (ISQC 1).
- 1.5.14 The audited entities were also invited to respond to an independent survey conducted by the Corporate Services Division to assess the strengths and weaknesses of the audit process and the conduct of members of the audit team. Responses from members of Parliament to our audit reports and the PAC's reliance on the Prompts we provided to aid their discussions with audited entities, were also considered a useful gauge for the quality of our audits.

TIMELINESS

1.5.15 Approximately 80 per cent of our performance audit programme for 2016-17 was completed in the specified time with the remaining audits scheduled to be completed by the final quarter of the fiscal year. At the same time, our audit schedule incorporated two audits carried forward 2014 and 2015. These were completed in July 2016.

LOOKING FORWARD

1.5.16 In accordance with our strategic objectives, we intend to submit for tabling 6 performance audit reports for FY 2017-18, inclusive of follow-up audits. We will use a thematic approach cognizant of the factors that hinder the achievement of efficient and effective public financial management.

1.5.17 Our follow-up audits will seek to determine whether weaknesses identified from previous audits have been addressed and recommendations adopted.

ECONOMIC ASSESSMENT UNIT (EAU)

THE YEAR IN REVIEW

- 1.6.1 The Economic Assessment Unit delivered on key strategic objectives of the Department by submitting for Tabling our reports pertaining to reviews of the Fiscal Policy Paper (FPP) FY2016-17 April 14, 2016 and the FPP FY2016-17 Interim Report September 30, 2016. The EAU also analysed the financial statements of two selected public bodies and submitted these reports to Parliament in June and October 2016. The Unit also prepared internal economic reports and bulletins, to support the FPP reviews as well as to inform staff on current issues relating to public policy.
- 1.6.2 Our reports on the Fiscal Policy Paper enabled Parliament to confirm that all its components complied with the FAA Act as well as, with sound financial principles.
- 1.6.3 Our financial statements assessment aided the Public Accounts Committee (PAC) of Parliament in its review of public bodies financial performance. The assessment also supported our performance audits and assisted in determining the readiness of selected public bodies for commercial status as required by the FAA Act.

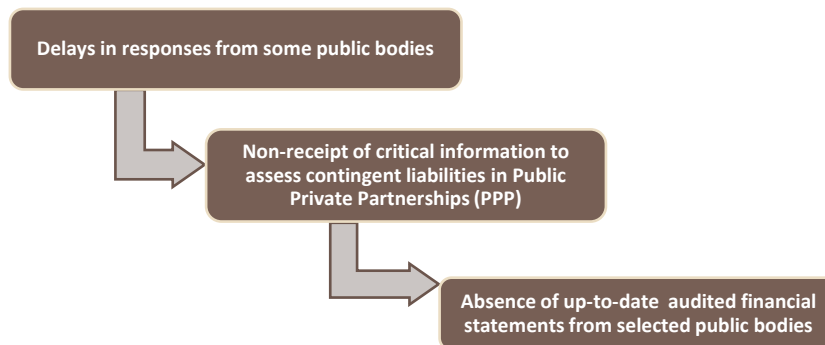
Relevant Strategic Objective

- Demonstrating ongoing relevance to citizens, Parliament and other stakeholders

OUR ACHIEVEMENTS

- We delivered our review of the FPP FY2016-17 within the stipulated two weeks after the Government tabled the FPP
- We submitted to Parliament 70 per cent of our financial statements assessments within the planned timeline
- We prepared 100 per cent of our Internal Monthly Economic Reports and Bulletins according to schedule

OUR CHALLENGES



THE YEAR AHEAD

- We plan to submit to Parliament, 3 financial statements assessment of self- financing public bodies using a risk-based approach
- We plan to use our financial statements assessments to better scope our performance audit
- We plan to collaborate with the Performance Audit Unit in the preparation of financial statements assessments

ECONOMIC ASSESSMENTS

1.6.4 The Economic Assessment Unit (EAU) was created to assist the Auditor General in fulfilling her obligations under the FAA Act, Fiscal Responsibility Framework and the Constitution. During the year the unit completed the required reviews for the FPP FY2016-17 and the Interim FPP September 28, 2016 report according to plan.

FISCAL POLICY PAPER (FPP)

1.6.5 Section 48 (B) of the FAA Act requires that the Auditor General (AG) to indicate within 2 weeks after the Fiscal Policy (FPP) is laid in February of each year, whether:

- The conventions and assumptions underlying the preparation of the FPP comply with prudent financial principles

- The justifications provided by the MoFPS in respect of deviations of the fiscal outcome from the targets of the previous fiscal year, are reasonable
- Any public bodies that do not form part of the specified public sector which in the preceding financial year formed part of the specified public sector (FAA Amendment Act 2015, provides for deferral to April 1, 2017)
- Any public bodies are deemed of a commercial nature and should not be included in the specified public sector (FAA Amendment Act 2015, provides for deferral to April 1, 2017);
- A Public Private Partnership only involves minimum contingent liability.

1.6.6 Our review of the FPP FY2016-17 April 14, 2016 revealed that the report met all the requirements of the FAA Act but contained material inconsistencies that required amendment and re-tabling of the FPP by the Ministry of Finance.

1.6.7 The EAU also reviewed the FPP FY2016-17 September 28, 2016 Interim report. The report was found to have met all the requirements of FAA Act.

FINANCIAL STATEMENTS ASSESSMENT

1.6.8 The EAU also reviewed the audited financial statements of selected public entities which are required to demonstrate prudent financial management of public resources in the context of the Fiscal Responsibility Framework. The assessments which utilise ratios, provide trend analyses of key financial items in the balance sheets and income statements.

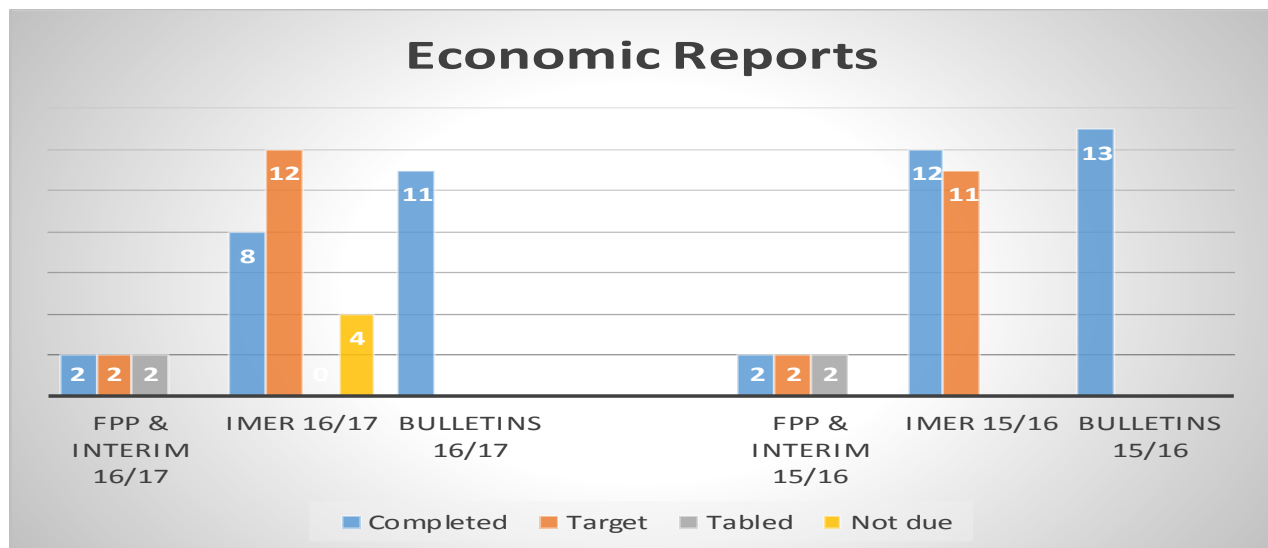
1.6.9 In September 2016, the Ministry of Finance identified one entity for possible certification but subsequently withdrew its recommendation as the entity did “not satisfy all the elements of the Standards for Transparency and Governance as required in the legislation.

1.6.10 In FY2016-17 the EAU undertook two financial statement assessments. The financial statements assessment for the Factories Corporation of Jamaica was completed in April 2016 but was combined with the regulatory audit and submitted for tabling in May 2016. An analysis of the audited financial statements of the National Health Fund was undertaken as a precursor to an audit of the entity’s inventory and receivables management. The report was tabled on October 7, 2016.

INTERNAL MONTHLY ECONOMIC REPORTS (IMER) AND BULLETINS

1.6.11 We prepared eight monthly economic reports for the reporting period. The reports focused on the government’s fiscal management and debt dynamics relative to budget. We also prepared 11 Economic Bulletins as part of our ground work for the FPP, as well as to inform staff on issues of interest. Our Bulletins covered a wide range of topics including tax policy, debt restructuring and the PetroCaribe Fund, minimum wage, the IMF programme, Jamaica’s international credit ratings among other topics.

Chart 5



QUALITY

1.6.12 The FPP reports were reviewed according to the standards issued by the INTOSAI and the International Standard on Assurance Engagement (ISAE) 3000. The report on the FPP FY2016-17 April 14, 2016 prepared by the EAU was also subjected to quality assurance review by AuGD Quality Assurance Unit.

TIMELINESS

1.6.13 The review of the FPP was submitted for tabling on April 22, 2016, within the specified deadline of two weeks after tabling on April 14, 2016. The Interim FPP was tabled on September 28, 2016, however a copy of the report was provided to the AG on October 11, 2016. The AG's review of the Interim FPP was submitted to Parliament on November 25, 2016.

1.6.14 Twelve Internal Monthly Economic Reports (IMERS) were scheduled for FY2016-17. At the end of November, we had completed eight reports as scheduled. Four reports will be prepared between December 2016 and March 2017. Our Bulletins were prepared on an ad hoc basis, in response to current developments.

LOOKING FORWARD

1.6.15 We plan to table 3 financial statement assessments of self-financing public bodies using a risk-based approach, in the context of the Government's intention to certify public bodies as commercial entities and increase fiscal space.

1.6.16 We will seek to collaborate with the Performance Unit in undertaking financial statements assessments as it relates to the criteria for the certification of public bodies as being of a

commercial nature. These include *transparency and governance; financial standards, Human Resource Management, decision-making and fiscal independence.*

SPECIAL INVESTIGATIONS

THE YEAR IN REVIEW

1.7.1 In executing our special investigation audit plan we identified a common theme of poor governance practices and weak public financial management in the entities reviewed. These deficiencies led to public expenditure exposure and losses across the seven Government entities that were examined. Our audit reports allowed for greater transparency and scrutiny of public entities; promoted greater fiscal prudence; and prompted actions to strengthen the management and boards of public entities.

Relevant Strategic Objectives:

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

We continued to benefit from the trust and support of the public who also provided valuable feedback and raised issues of concerns.

OUR ACHIEVEMENTS



We completed 100 per cent of our planned audits according to schedule.

Six special reports currently undergoing Quality Assurance Review will be submitted for tabling in January 2017.

SPECIAL AUDITS

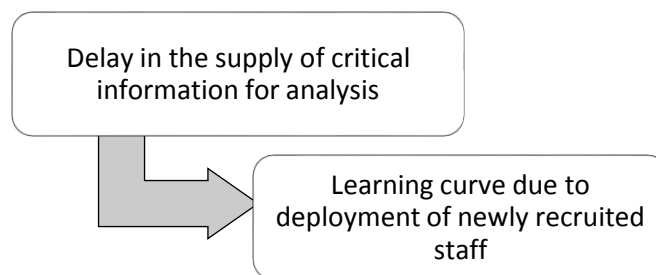
1.7.2 Section 122 of the Jamaica Constitution requires the Auditor General to conduct impartial audits of public bodies at least once in every year and submit reports of findings to Parliament. The Auditor General commissions Special Audits based on requests from members of the Public Account Committee; internal assessment as well as; concerns raised by the public.

1.7.3 Seven special audits were undertaken for 2016 calendar year, as detailed in the table below.

Table 4

No.	Entity	Audit Topic	Status
1	Ministry of Industry, Commerce, Agriculture and Fisheries	Cane Expansion Fund	Tabled in June 2016
2	Urban Development Corporation	Sale of the Oceana Hotel Complex	Undergoing Quality Assurance Review; to be submitted for Tabling in January 2017
3	Ministry of Finance and Public Service	Leasing of a section of the Oceana Hotel complex for the Accountant General's Department	"
4	Ministry of Finance and Public Service	Noranda Bauxite Limited, Expired Letter of Credit	"
5	Ministry of Labour and Social Security	Payment of Travelling Allowances	"
6	Aeronautical Telecommunications Limited	Control of Closed User Group service; benefits to senior management; and Procurement	"
7	INSPORTS	Corporate Governance Practices	"

OUR CHALLENGES



THE YEAR AHEAD

-  *We plan to submit for Tabling, seven special audit reports in 2017-18*
-  *Through training we plan to improve our investigative techniques in executing our audits*
-  *We plan to conduct more follow-up audits and track the implementation of our recommendations.*

PROVIDING ASSURANCE

THE YEAR IN REVIEW

1.8.1 We delivered on key strategic objectives of the Unit in 2016, through the execution of 83% per cent of the audit plan for Financial Statements and Appropriation Accounts. A number of entities should be commended for the efforts made in accommodating the completion of these audits. Despite this, we encountered numerous challenges. Some MDAs failed to submit annual statements to the Department for audit in keeping with the requirements of the PBMA Act and the FAA Act. MDAs also failed to present the financial statements in accordance with the appropriate financial reporting framework, which resulted in significant audit adjustments. Further, audit schedules to support the amounts stated on the financial statements were inadequately prepared in a number of instances.

Relevant Strategic Objectives:

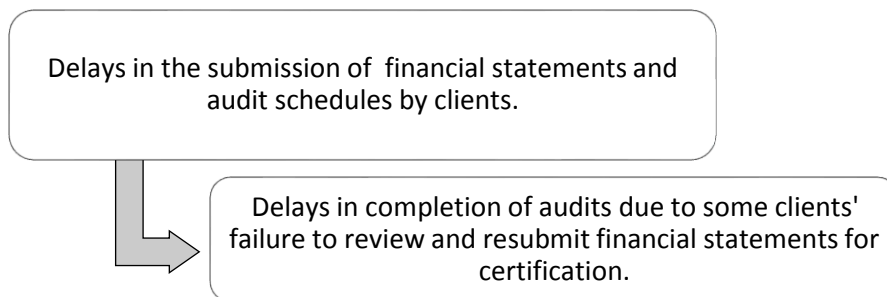
Conducting independent audits and making reports to improve the use of public resources

Promoting transparency, accountability and best practices in Government operations

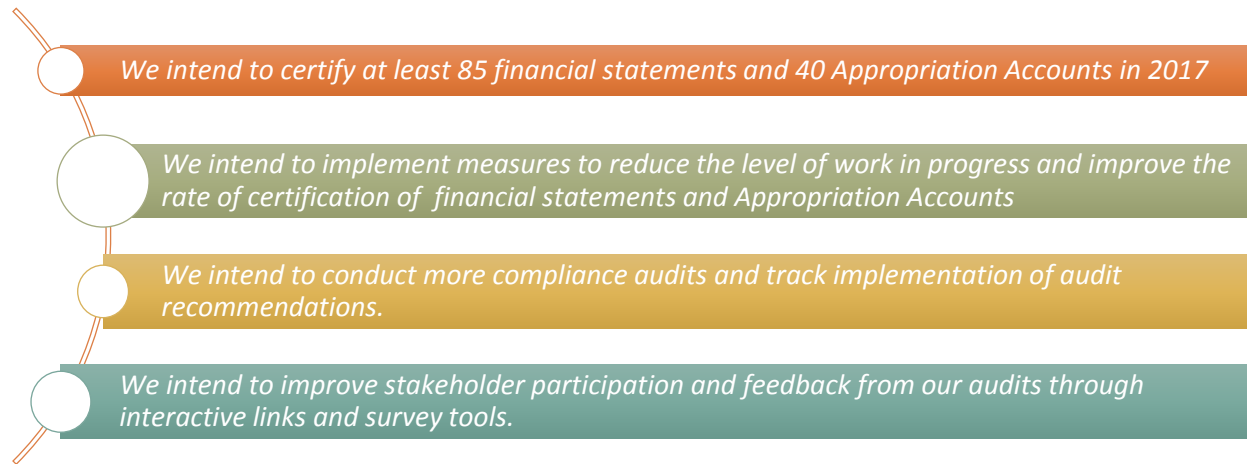
OUR ACHIEVEMENTS

- We executed 83% of 293 planned audits for financial statements and appropriation accounts.*
- We cleared 60% of the backlog of financial statements audits of previous years*
- We issued 116 audit certificates during the year.*

OUR CHALLENGES



THE YEAR AHEAD



ASSURANCE AUDITS

- 1.8.2 Our assurance services include audits of financial statements prepared on an accrual basis, receipts and payments statements for public bodies, as well as internationally-funded projects. The Unit is also responsible for the audit of the annual Appropriation Accounts of MDAs, which they are required by law to submit by July 31, four months after the end of the financial year. The audit of these statements are usually carried out in conjunction with compliance audits, to determine the extent to which MDAs follow rules, laws and regulations, policies and established codes or agreed-upon terms contained in contracts or funding agreements.
- 1.8.3 Financial statement audits are undertaken to express an opinion on whether reasonable assurance has been obtained that the financial statements presented by management are free from material misstatements, in all material respects, and that they are presented in accordance with the applicable financial reporting framework.
- 1.8.4 The Public Bodies Management and Accountability (PBMA) Act, requires that the annual report and audited financial statements of Public Bodies be tabled annually in the Houses of Parliament.

QUANTITY

- 1.8.5 244 financial statements and Appropriation Accounts audits were executed during the calendar year 2016. Of this amount, 116 audit certificates were issued. A total of 22 financial statements and Appropriation Accounts were audited and returned to clients for correction of errors. We

also have 106 financial statements and Appropriation Accounts as work-in-progress. It is anticipated that the majority of these statements will be certified by the first quarter of 2017. Further details are outlined in the Charts below.

Chart 6

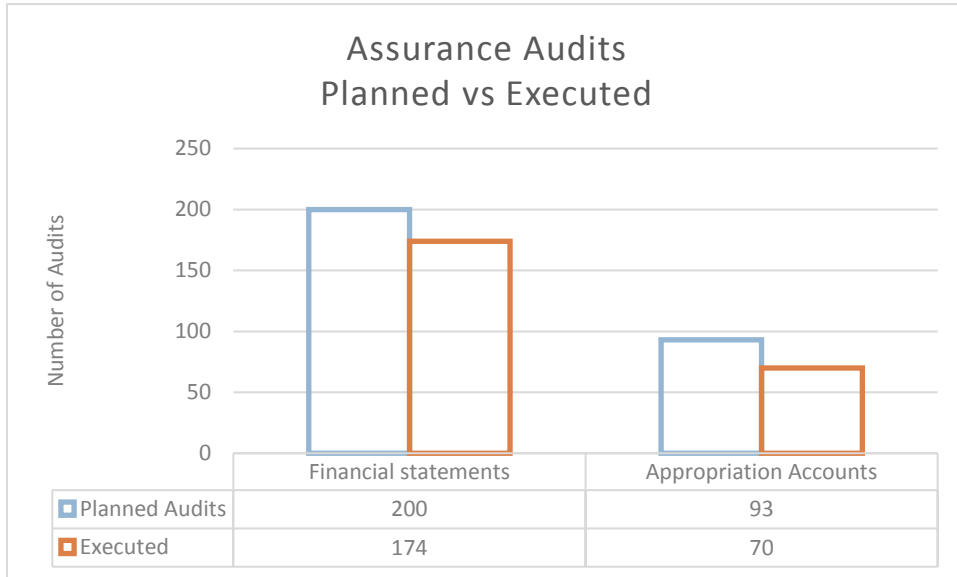
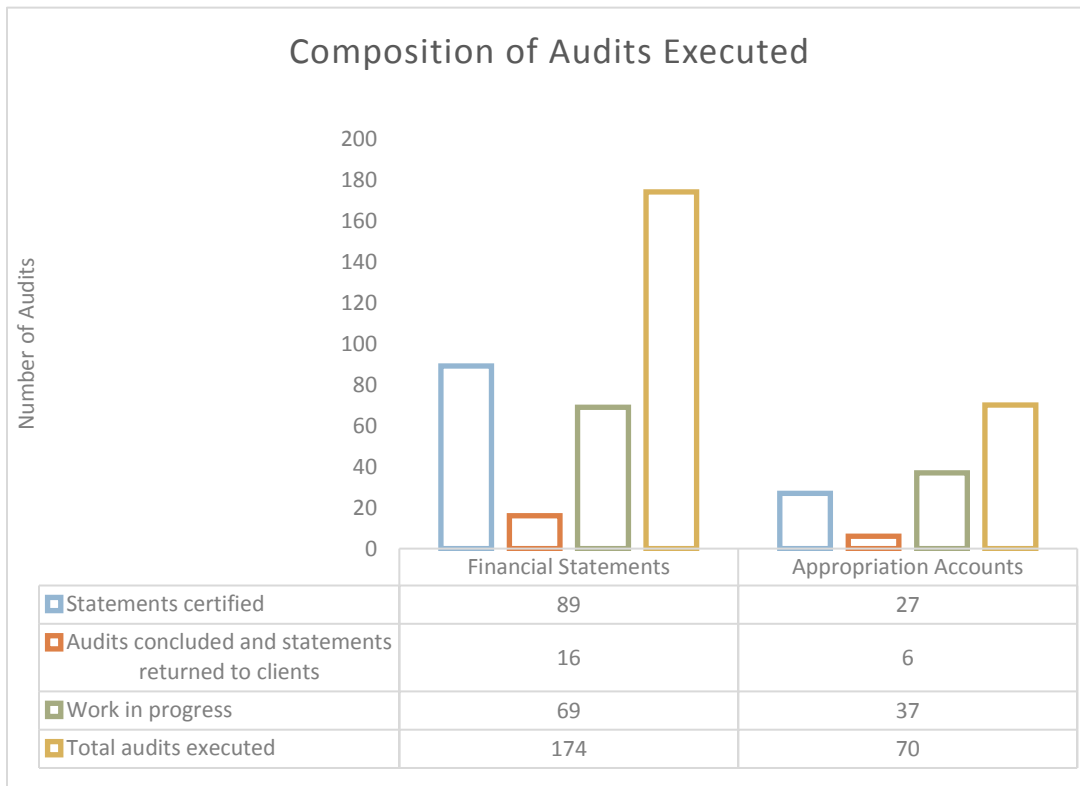


Chart 7



QUALITY

- 1.8.6 Assurance audits were conducted in accordance with auditing standards issued by INTOSAI. These standards require that I comply with ethical requirements, plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatements. In accordance with the Department's Quality Assurance Framework and International Standards on Quality Control (ISQC 1), internal reviews were conducted by the team leaders, Audit Principals, Deputy Auditors General and the Auditor General.
- 1.8.7 For the coming year independent surveys will be conducted by the Corporate Services Department to get feedback from the audited entities on our audit process and conduct of the audit teams.

COMPLIANCE AUDITS

THE YEAR IN REVIEW

1.8.8 Compliance Audits were conducted during the financial year 2015-16 with the view to express an opinion on the extent to which MDAs were compliant with laws, regulatory guidelines, policies, established codes, budgetary resolutions and agreed-upon terms.

Relevant Strategic Objectives:

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

1.8.9 In that regard, we found that there was an overall need for improvement in the governance practices of the MDAs and this impacted the efficiency with which activities were undertaken. Additionally, we noted that there was the need to strengthen the internal controls, which should be combined with robust monitoring. Our audits also revealed that sufficient effort was not being undertaken to correct systematic weaknesses that have been identified over the years.

1.8.10 While these were the general findings, we noted that some MDAs were eager to develop and implement strategies to improve their performance and mitigate risks and errors. Further, we noted that several MDAs were undergoing restructuring aimed at improving their performance.

1.8.11 The findings of the compliance audits were reported to Heads of MDAs and are included on pages 47-75 of this Report.

OUR ACHIEVEMENTS

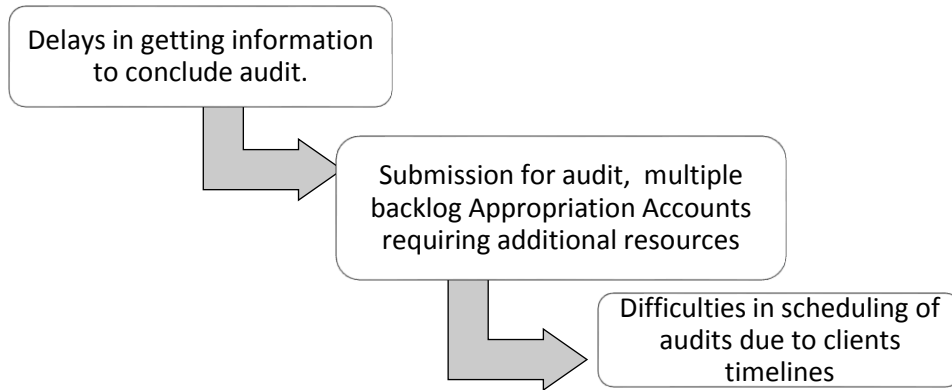
We planned 66 compliance audits for the year and issued 39 (59%)

We have 17 audits in the final stage of completion

Four of the audits planned were postponed and six have not commenced

We planned 3,800 verification of pension computation, however, 5,200 were verified.

OUR CHALLENGES



THE YEAR AHEAD

- We intend to complete 67 compliance audits in 2017*
- We intend to use the thematic audit approach developed*
- We intend to conduct more follow-up audits and track implementation of audit recommendations*
- We intend to improve stakeholders participation and feedback through interactive links and surveys.*

COMMON FINDINGS

Table 5

Weaknesses Identified	Status
Governance	Follow-up
Procurement breaches	Follow-up
Inadequate Internal Controls	Follow-up
Non-compliance with compensation regulations	Follow-up
Poor records management	Follow-up
Inadequate Risk planning	Follow-up

QUALITY

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



REPORTS

HEAD 15000: OFFICE OF THE PRIME MINISTER

- 2.1.1 An audit of the financial transactions, accounting and other operational records of the Office of the Prime Minister (OPM) was conducted to determine the level of compliance with relevant regulations, circulars and other Government of Jamaica financial guidelines. The periods under review were April 2014 to March 2015 and April 2015 to March 2016. The audit of the 2014-15 Recurrent and Capital B Appropriation Accounts was also done.
- 2.1.2 The main areas of focus for the audit were emoluments, collection of revenue, bank reconciliations, management of fixed assets, expenditure, journal vouchers and management of advances.
- 2.1.3 We found that the controls established by the Permanent Secretary in the OPM were generally satisfactory. Weaknesses identified in the controls related to fixed assets and bank reconciliation were subsequently addressed. However, recurrent advances totalling \$1,014,585.39 remained outstanding. There is evidence that the OPM has taken steps to clear the recurrent advances; however, the input of the Accountant General is critical for this matter to be satisfactorily addressed.

RECOMMENDATIONS

In keeping with the established accountancy procedures, management was advised to strengthen the controls over the bank account, assets management, and advances to ensure compliance. There needs to be sustained effort to bring the reconciliation of the Recurrent bank account up to date.

HEAD 16000: OFFICE OF THE CABINET

- 2.1.4 An audit of the financial transactions, accounting and other operational records of the Office of the Cabinet (OoC) was conducted to determine the level of compliance with relevant regulations, circulars and other Government of Jamaica financial guidelines. The periods under review were April 2014 to March 2015 and April 2015 to February 2016.
- 2.1.5 The areas of main focus for the audit were emoluments, bank reconciliation, fixed assets, expenditure and journal vouchers, advances and the Appropriation Account.
- 2.1.6 We found weaknesses in the controls related to the Appropriation Account, Expenditure and Journal Vouchers, Fixed Assets, Bank Reconciliation and Advances. We recommended that management implement a regular system of independent check of the assets and records, by an individual not involved in the acquisition and recording processes to ensure the accuracy and completeness of the records, and existence of the assets. Further, that the bank reconciliations are brought up to date and kept current and controls relating to advances and payment

vouchers strengthened. The weaknesses identified during the audit were subsequently resolved.

HEAD 17000: MINISTRY OF TOURISM AND ENTERTAINMENT

- 2.1.7 An audit of the financial transactions, accounting and other operational records of the Ministry of Tourism and Entertainment was conducted for the period April 2014 to March 2015 and April 2015 to February 2016, to determine the level of compliance with relevant Government of Jamaica financial guidelines. The main areas of focus were payment of emoluments, collection of appropriation in aid, bank reconciliations, procurement, and management of fixed assets, expenditure, journal vouchers and management of advances.
- 2.1.8 The audit revealed that there was need for improvement in the controls related to Fixed Assets, Salaries, Bank Reconciliation and Payment Vouchers. Subsequent verification revealed that management has since taken corrective action.

HEAD 19000: MINISTRY OF ECONOMIC GROWTH AND JOB CREATION

MINISTRY OF WATER, LAND, ENVIRONMENT AND CLIMATE CHANGE

- 2.1.9 We conducted an audit of the accounting records and financial transactions of the Ministry of Water, Land, Environment and Climate Change (MWLECC), which revealed a need for improvement in the oversight function of the Audit Committee and asset management. The Ministry has since indicated that it will address the said deficiencies.

ROAD MAINTENANCE FUND

- 2.1.10 An audit of the accounting records and financial transactions of the Road Maintenance Fund (RMF) was conducted for the period April 1, 2015 to March 31, 2016 and the following exception was noted:
- Cost Overrun of Quantity Surveying Budget on the JDIP Project**
- 2.1.11 The Road Maintenance Fund (RMF) paid a contractor US\$4.63 million (J\$312.4 million) in excess of the service agreement of US\$1.92 Million for quantity surveyor services for road works under the Jamaica Development Infrastructure Programme (JDIP). RMF indicated that the excess was due to changes in the scope of work; however, we did not receive the requisite approved variation orders despite our requests.
- 2.1.12 In addition, we noted that the contractor claimed J\$5.23 million for works that were not included in the scope of the service agreement for the JDIP projects, and there was no evidence

of an addendum to the service agreement for the additional works. Some of the claims made by the Contractor were for land acquisitions and routine maintenance.

Recommendation

RMF should investigate the magnitude of excess on the contract with a view to taking the necessary corrective action(s) and to ensure that the Fund suffers no loss.

HOUSING FUND

Inadequate Management of Mortgage by Housing Fund

- 2.1.13 The Housing Fund was established by the Housing Act 1968, amended 1995. The fund is the responsibility of the Minister of Housing. The primary function of the fund is to provide low income housing solutions to Jamaicans. The fund receives income from sale of units, sale of lots, legal fees, rental/lease (schemes), and bank and investment interests. The Housing Fund also manages properties for the Housing Agency of Jamaica.
- 2.1.14 The records of the Housing Fund showed that 7,829 individuals who benefitted from housing solutions had mortgage arrears totaling \$530,949,663.55 as at December 2015. Of this amount \$519,910,067.58 represented arrears for solutions developed by the Ministry, while \$11,828,084.43 represented solutions developed by the Housing Agency of Jamaica (HAJ) for properties administered by the Ministry. In addition, the Ministry’s failure to timely finalize sales agreements for properties resulted in the Fund having \$115,319,222.14 in escrow for protracted periods. We were unable to determine how long these deposits were held in escrow as the Mortgage Software used by the Ministry was unable to generate aged reports for the escrow accounts or the HAJ arrears. The delays may result in misuse of the funds.

HEAD 19048: NATIONAL ENVIRONMENT AND PLANNING AGENCY (NEPA)

THE INTEGRATED MANAGEMENT OF THE YALLAHS AND HOPE RIVER WATERSHED MANAGEMENT - GRT/FM-14607-JA

- 2.1.15 During the period under review, an audit of the financial transactions and the effectiveness of the administrative and accounting controls of the project was conducted to determine whether adequate systems, policies and procedures were implemented.
- 2.1.16 The accounting records were generally maintained in a satisfactory manner except for the slow implementation of the project.

Delay in implementation of Project activities

- 2.1.17 We noted that the project only achieved one of four planned targets in the first year of implementation. Albeit 15 months have lapsed since the signing of the grant agreement. The delay is inextricable linked to the signing of six Memoranda of Understanding with the implementing agencies and the reforestation of 100 hectares of land. This may impact the successful implementation of the project objectives and affect the allocation of resources by these implementing agencies.

Recommendation

Management should review its strategies and take the necessary actions to redirect the project on track to achieve its objectives.

HEAD 20000: MINISTRY OF FINANCE & THE PUBLIC SERVICE

- 2.1.18 An audit of the financial transactions and accounting records of the Ministry of Finance and the Public Service (MoFPS) was conducted to assess the adequacy, efficiency and effectiveness of the accounting and internal control structure and systems of the MoFPS and to determine whether its operations complied with the promulgated laws and guidelines.

The weaknesses identified were substantially addressed by the MoFPS EXCEPT FOR the following:

- 2.1.19 Our audit revealed uncleared advance balances totalling \$799 million and personal advances of \$450,616 which remained outstanding for a protracted period. The MoFPS has since taken steps to clear the advances which now stand at \$785 million and \$118,616, respectively. We also identified 31 advance accounts with credit balances totalling \$32.6 million which the MoFPS has subsequently indicated that they are working to clear
- 2.1.20 We urge the MoFPS to review and improve its internal control systems. The revised system should include robust monitoring and reconciliations.

EXIM BANK JAMAICA

- 2.1.21 A regulatory audit of the financial transactions, accounting and other operational records of the EXIM Bank was conducted to determine the level of compliance with relevant regulations, circulars and other Government of Jamaica guidelines.

- 2.1.22 We found that the controls established by the EXIM Bank were generally satisfactory. However, there was need for improvement in the controls related to expenditure, fixed assets and payment of emoluments. These were subsequently addressed by management.

STRATEGIC PUBLIC SECTOR TRANSFORMATION PROGRAMME (SPSTP) - LOAN CONTRACT NO. 8406JM/DFID GRANT TFOA 1633 JM

- 2.1.23 An audit of the accounting records and financial transactions of the Strategic Public Sector Transformation Project (SPSTP) was conducted for the 18-month period ended March 31, 2016.

Our main findings were as follows:

- 2.1.24 An appropriate accounting software was not in place to record the financial transactions of the Project. These transactions were instead recorded using an Excel Workbook. Subsequent to the audit, management advised that an accounting software was procured after the close of the financial year and that full implementation is expected by the end of the 2016-2017 financial year.
- 2.1.25 Assets costing US\$119,464.96 procured with project funds were not marked with a unique asset identification number, as required by the Procedure Manual for Control of Government Furniture, Office Machinery and Equipment. Failure to mark the asset may facilitate unauthorized use or misappropriation.

Recommendations

Management was advised to take the necessary steps to ensure that the implementation of an accounting software is done in the timeline given. In addition, a suitable system of control should be instituted to ensure all transactions are accurately inputted.

All fixed assets procured should be appropriately labelled to comply with the guidelines and to assist in safeguarding them.

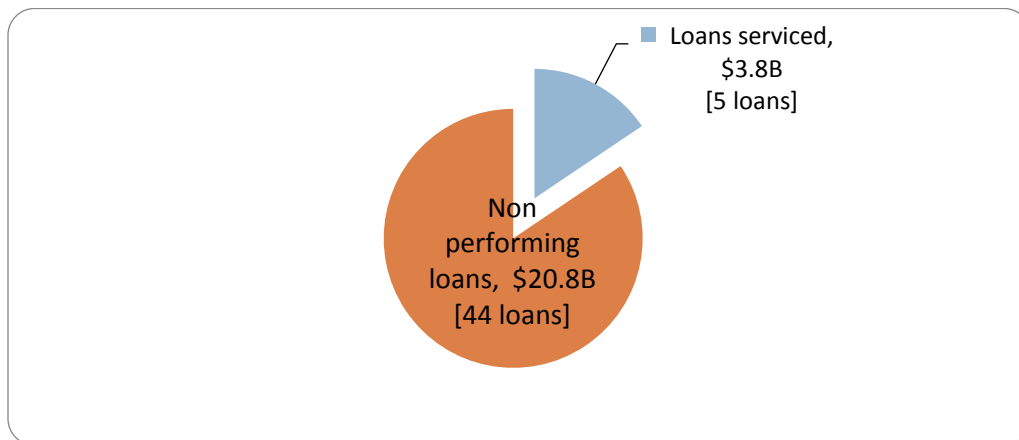
HEAD 20011: ACCOUNTANT GENERAL'S DEPARTMENT (ACGD)

- 2.1.26 The audit of the financial transactions and accounting records of the Accountant General's Department revealed a generally satisfactory state of affairs. Management was advised to take steps to correct the few weaknesses identified.

ACCOUNTANT GENERAL’S DEPARTMENT - STATEMENT E

- 2.1.27 The Accountant General’s Department is responsible for preparing statements showing outstanding loans or credits guaranteed by the Government. An audit of the statement was carried out to express an opinion on whether the statement is presented fairly in all material respects, and give a true and fair view of transactions for the reported period; and report on the findings.
- 2.1.28 Our review disclosed that the internal controls implemented by management over the preparation of the Statements and the maintenance of the accounting records need strengthening. The ACGD has taken steps to address the weaknesses identified; however, we noted the following:
- 2.1.29 **Non-performing loans totalled \$20.8 billion.** We found that at March 31, 2015, forty-four (44) or ninety per cent of the loans portfolio with a value of J\$20.8 billion were not being serviced (**Figure 1**). Our analysis revealed that 38 loans valued at \$16.17 billion were not serviced for between 10 and 39 years. The Institutional loans disbursed to entities are funds borrowed by the GOJ and on-lent to public bodies.

Figure 1: Chart showing non-performing institutional loans



Recommendations

We urge the ACGD to implement a more robust system of internal controls over the preparation and presentation of the financial statement for Institutional loans.

The ACGD should implement procedures that will guide the management of the Institutional loan portfolio and foster compliance with the loan repayment agreement. Further, the ACGD should consult with the Ministry of Finance with the view to address the non-performing loans.

HEAD 20056: TAX ADMINISTRATION JAMAICA (TAJ)

- 2.1.30 The audit of the financial transactions and accounting records of the Tax Administration Jamaica (TAJ) revealed that the controls need strengthening in order to provide the necessary assurance that resources under its stewardship are being safeguarded against loss, misuse and waste. Weaknesses in the timely clearing of bank reconciling items and management of fixed assets were identified and management was advised to take the necessary steps to address them.

HEAD 26000: MINISTRY OF NATIONAL SECURITY

- 2.1.31 The audit of the Appropriation Accounts, financial transactions, accounting and other operational records of the Ministry of National Security (MNS) disclosed a generally satisfactory state of affairs; however, there were weaknesses in the controls over advances and motor vehicles.

UNCLEARED ADVANCES

- 2.1.32 Approximately \$411.39 million in advances remained outstanding at the end of the financial year. Additionally, the Capital A advance account had a credit balance of \$1,783,936.04. The failure to clear these advances increases the risk of expenditure being understated in the Ministry's Appropriation Accounts. The management of the MNS was advised to take the necessary steps to investigate and clear all outstanding advances and strengthen the relevant controls to ensure that advances are promptly cleared in keeping with the requirements of the Financial Instructions.

HEAD 26022: POLICE DEPARTMENT

- 2.1.33 The audit of the Appropriation Accounts, financial transactions, accounting and other operational records of the JCF revealed the weaknesses in the controls over fixed assets, procurement and the payment of emoluments.

MANAGEMENT OF FIXED ASSETS

- 2.1.34 Furniture and equipment purchased during the period April 2013 to March 2014 amounting to \$716,854.48 were not included in the JCF's inventory records. This breakdown of the controls which was the subject of previous audit reports increases the risk of misappropriation of assets going undetected. The JCF was advised to update its fixed assets inventory records and also take corrective actions to strengthen the controls over fixed assets to ensure compliance with the relevant guidelines and the timely recording of assets.

PROCUREMENT BREACHES

- 2.1.35 For the period under review, we identified 35 payments totalling approximately \$15.62 million made to a supplier for the provision of meals to police personnel and prisoners in St. James. However, there was no evidence that a written contract existed between the JCF and the supplier outlining the terms and conditions under which the meals were to be provided. Additionally, we found no evidence that a competitive process was used to engage the supplier neither was there any evidence of endorsement from the National Contracts Commission (NCC) in keeping with the requirements of the Government of Jamaica Handbook of Public Sector Procurement Procedures at that relevant time. The JCF was also not able to provide any proof that the supplier was tax compliant and registered with the NCC. The JCF was advised to strengthen its procurement system to ensure that all procurements are conducted in accordance with the Government of Jamaica procurement procedures. Going forward, it should also ensure that written contracts are in place for significant procurements in order to secure its interests and reduce exposure to losses.

HEAD 26024: DEPARTMENT OF CORRECTIONAL SERVICES (DCS)

- 2.1.36 The audit of the Appropriation Accounts, financial transactions, accounting and other operational records of the DCS revealed weaknesses in the controls over emoluments, revenue, bank reconciliation, expenditure, fixed assets and the preparation and presentation of the Appropriation Account.

EMOLUMENTS

- 2.1.37 We identified overpayments totalling \$42,260.96 and unrecovered salary advances totalling \$400,000 outstanding as at the November 30, 2016. Subsequent to the audit, management indicated that steps will be taken to recover the overpayment between December 2016 and March 2017. Where the separated officers cannot be located, the DCS intends to consult with the Accountant General to determine whether the amounts may be recovered from pension benefits. These amounts represent a potential loss to the Government and the responsible officer(s) may be held accountable if the amounts cannot be recovered.

REVENUE

- 2.1.38 A review of the controls over cash and other valuables at the St. Catherine Adult Correctional Centre revealed that control measures were not consistently applied to ensure proper accounting for all valuables in the possession of the Imprest Holder or Tuck Shop operator. We found that cash and other valuables were not recorded when received but were only recorded when a lodgement was being made. There was also no evidence of regular independent checks of the Imprest Holder or Tuck Shop operator as required by the Financial Instructions. We conducted a surprise cash inspection at the St. Catherine Adult Correctional Centre and found cash and other valuables including cheques and ticket books amounting to J\$420,273.94;

foreign currencies with an equivalent value of J\$26,388.24 along with US\$450, BP£420 and J\$2,000 in counterfeit notes in the possession of the Imprest Holder. Additionally, cash amounting to \$107,136.00 was found in the possession of the Tuck Shop operator. These valuables were not recorded in a Cash Book neither was there any record to account for these funds.

OUTSTANDING BILLS

- 2.1.39 Our review of the DCS's commitment control process revealed that the system was not achieving its objective of ensuring that all expenditure is supported by available funds. This may have contributed to the DCS owing suppliers approximately \$88.65 million as at March 31, 2016. Of this amount, approximately \$33.3 million was outstanding for over 30 days, in breach of Section 49(1) of the Financial Management Regulations 2011.

PROCUREMENT BREACHES

- 2.1.40 We identified payments amounting to approximately \$513.33 million and \$930.8 million made to suppliers of food, security and transportation services for the financial years 2014-2015 and 2015-2016, respectively. However, there was no evidence that written contracts existed between these suppliers and the DCS neither was there any evidence that the DCS used a competitive process to engage them. There was also no evidence of NCC endorsement or Cabinet approval in keeping with the requirements of the Government of Jamaica Handbook of Public Sector Procurement Procedures.

FIXED ASSETS AND CONSUMABLES

- 2.1.41 Stationery and office supplies amounting to approximately \$11.01 million and \$23.09 million purchased in 2014-2015 and 2015-2016, respectively, were not recorded in the stores register. This might have contributed to variances between the physical quantities and the inventory records for 35 categories of stationery and other office supplies as there was no evidence that the stores were periodically checked to ensure that physical balances agreed with the inventory records.

MOTOR VEHICLES AND FUEL

- 2.1.42 The management of the DCS was not able to effectively assess the operational efficiency of its fleet vehicles to determine whether it is more economical to repair or replace defective vehicles. There was no system in place to ensure that periodic operational efficiency reports were produced in keeping with the MoFPS guidelines.
- 2.1.43 We found that in relation to one of the fleet vehicles, a total of 4,801 km were unaccounted for between August 2014 and April 2015. The responsible officer failed to update the logbook to properly account for all usage during the period highlighted.
- 2.1.44 A review of the controls over fuel at the DCS's Transportation Centre revealed that there was inadequate segregation of duties and the absence of regular independent checks of the fuel

records at the Transportation Centre. Our audit revealed that 6,743.88 litres of fuel with an estimated cost of \$646,625.99 was not accounted for in the register for the periods beginning January 2015 and 2016. Management reported that a major leak discovered on January 29, 2016 may have resulted in the undocumented loss. However, the DCS has not conducted a full investigation to determine the total fuel lost or formally reported the loss to the Auditor General and Financial Secretary in accordance with the Financial Management Regulations.

APPROPRIATION ACCOUNT

- 2.1.45 For the 2014-2015 financial year, Appropriations-in-Aid (AIA) of \$35 million was budgeted for the DCS to meet employee compensation for the period. The Appropriation Account showed that approximately \$10.6 million was collected, however, we were unable to verify the accuracy of the amount reported as DCS did not provide reliable audit evidence to support the amount.
- 2.1.46 There was also no evidence of approval by the Accounting Officer to support the excess expenditure of approximately \$3.84 million relating to Land and Structures (Object 31) and approximately \$4.32 million relating to Awards and Social Assistance (Object 29) in the DCS's accounts for the 2014-2015 financial year. Additionally, Parliament did not approve any allocation for Awards and Social Assistance (Object 29) in the DCS's 2014-2015 budget, therefore funds would have had to be utilized from other budgeted activities to fund these unplanned expenses.

Recommendations

We advised the DCS to strengthen its internal controls to ensure that the risk of errors, irregularities and losses are reduced and to implement the necessary corrective measures so that its operations comply with the Financial Administration and Audit Act, the Government of Jamaica Handbook of Public Sector Procurement Procedures and other relevant guidelines.

PRIVATE SECURITY REGULATION AUTHORITY

- 2.1.47 An audit of the accounting records and financial transactions of Private Security Regulation Authority (PSRA) was conducted for 2015-2016. We conducted our audit in accordance with INTOSAI standards.

LACK OF SEGREGATION OVER JOURNAL VOUCHERS

- 2.1.48 PSRA did not have in place proper control mechanisms for the generation of journals, as required by the Ministry of Finance and the Public Service guidelines³. There was a lack of segregation of duties as journal vouchers were prepared, certified and authorized by the Finance Manager. For the period under review, we examined 30 of the 118 journal vouchers amounting to \$68.212 million. PSRA indicated that lack of adequate staff in the Accounts Unit

³ Section 3.1 of the Ministry of Finance and Planning - Voucher Forms Instructions, dated April 1, 2000

was the major cause of this breakdown in internal controls. However, PSRA has senior officers to enable separation of the critical authorization and certification functions. Failure to have duties appropriately segregated within an accounting function or process exposes the PSRA to the risks of errors, fraud and other irregularities going undetected for protracted periods. Management was advised and has since indicated that the requisite controls to ascribe responsibility and accountability were instituted.

HEAD: 28000: MINISTRY OF JUSTICE

HEAD 28025: DIRECTOR OF PUBLIC PROSECUTIONS

2.1.49 The audit of the accounting records and financial transactions relating to the Office of the Director of Public Prosecutions (DPP) revealed a generally satisfactory state of affairs. All issues that were identified during the audit have been satisfactorily addressed.

HEAD 28032 – OFFICE OF THE GOVERNMENT TRUSTEE

2.1.50 The audit of the Office of the Government Trustee (OGT) disclosed a satisfactory state of affairs except for the areas mention below.

INADEQUATE STORES MANAGEMENT AND CONTROL

2.1.51 We found that improvement was needed over the management and control of the stores. The responsible officers did not maintain stores register/ledger cards; or used Requisition Forms to track the issue and receipt of stores items. In addition, handing over and regular independent checks of stores were not done. Further, a single individual was responsible for the procurement, issue, and safeguarding of the stock.

2.1.52 The shortcomings noted were in breach of Section 121 of the Financial Management Regulations (2011) and could facilitate irregularities.

2.1.53 We recommended that appropriate internal controls are implemented over the stores to comply with the established accountancy procedures and to safeguard the assets. Management advised that corrective measures will be instituted to prevent a recurrence of the deficiencies noted.

INADEQUATE CONTROL OVER FIXED ASSETS

2.1.54 During financial year 2015-2016, nineteen (19) assets costing \$282,738 were acquired. However, the assets were neither coded nor recorded in the Master Inventory and Location Records. Additionally, eight (8) of these assets were not included in the relevant Individual

Inventory Records. We also noted that service costs totalling \$94,208 were not recorded in the Office Machines and Equipment Record.

- 2.1.55 These weaknesses contravened the stipulated guidelines and could hinder management's ability to properly account for the assets. This may also facilitate abuse and unauthorized use.

FAILURE TO REVIEW BANK RECONCILIATION STATEMENTS

- 2.1.56 Bank reconciliation statements for the Departmental Account for March 2016 were not signed by the checking officer in breach of accountancy best practice. Failure to subject bank reconciliation statements to independent checks by a senior officer on a monthly basis could result in ongoing errors remaining undetected.
- 2.1.57 Management indicated that the reconciliation statements were not checked due to issues with FINMAN, which has resulted in the inability of the system to generate the required statements that would be used to match the reconciliations.
- 2.1.58 We recommended that bank reconciliation statements are checked in keeping with the relevant guidelines.

HEAD 30000: MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE

- 2.1.59 Our audit of the accounting records and financial transactions of the Ministry of Foreign Affairs and Foreign Trade for the period April 2014 to March 2016 revealed the need for improvement in the controls over advances, payment of salaries and fixed assets.
- 2.1.60 The records showed net outstanding advances at 31st March 2015 and 29th February 2016, totalling \$217,163,267.04 and \$348,229,749.54, respectively. These balances included dormant accounts with debit balances totalling \$826,366.39; of this amount \$256,499.07 has been on the books for approximately 19 years. Additionally, there were 19 accounts at February 2016 that had credit balances amounting to \$166,082,529.22, with \$111,800,488.08 of this amount relating to prior periods. The Ministry has since initiated dialogue with the Ministry of Finance to address this long-standing issue.
- 2.1.61 In six instances, two employees were paid for the same post, resulting in duplicate payments totalling \$2,115,500.36. The payments were deemed improper and the MFAFT was advised that the responsible officers who authorised the payments could be surcharged in accordance with Section 20 I (b) of the FAA Act. MFAFT has indicated that the Ministry of Finance's intervention is being sought on this situation, which resulted from staffing challenges.
- 2.1.62 The Fixed Assets Master Inventory at Head Office did not reflect assets held in overseas missions. Further, individual office furniture and equipment files maintained for the missions

were not updated beyond 2007. These weaknesses compromised the Ministry’s ability to properly account for its assets. The Ministry has begun the process of including missions’ assets in its master inventory.

HEAD 40000: MINISTRY OF LABOUR AND SOCIAL SECURITY

- 2.1.63 The audit of the financial transactions and accounting records of the Ministry of Labour and Social Security (MLSS) revealed weaknesses in the management of contracts, advances, fixed assets and the reconciliation of bank accounts.
- 2.1.64 The audit showed that a contract variation of \$1.21 million was not reported to the Contractor General. We also found that 95 officers were overpaid a total of \$1.4 million resulting from employees exhausting their leave entitlement and receiving payment for acting beyond the approved duration. Additionally, MLSS failed to submit Appropriation Accounts for the years 2011-12 to 2015-16.
- 2.1.65 Management was advised to take steps to recover all overpayments. There is also the immediate need to implement monitoring systems that would allow for increased accountability and compliance.

INFORMATION TECHNOLOGY

- 2.1.66 The Ministry of Labour and Social Security was established to provide labour and social services to the Jamaican citizen. In fulfilling the MLSS’s objectives, the Management Information System (MIS) Unit plays a major role in the National Insurance Scheme (NIS) and other operations throughout the Ministry. An information technology audit of the MLSS’s Information Technology Systems was conducted to determine if NIS’s Information Technology Systems had adequate controls and procedures to maintain the integrity of information and protect IT assets. The audit revealed weaknesses which were brought to the attention of the Ministry. MLSS has since taken steps to address them.

PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION – SUPPORT TO IMPROVING THE LIVES OF PERSONS WITH DISABILITIES PROJECT - GOJ/IDB GRANT AGREEMENT NO. ATN/JF-11988-JA

- 2.1.67 During the period under review, our examination of the financial transactions and accounting records of the Programme covered the period September 2010 to November 17, 2015. The objectives of the audit were to determine whether the financial resources of the project were used solely for the project; and whether the transactions were executed in compliance with the terms of the grant agreement and the applicable GOJ regulations.

The examination disclosed a generally satisfactory state of affairs except for the following:

- 2.1.68 We were unable to verify the number of social workers who participated in a focus group training on August 21, 2014, at a cost of US\$432.42 (J\$48,660), as the attendance registers were not presented. Further, management did not provide evidence of the qualifications, as required by the Project, of nine (9) consultants who were contracted to provide data collection services.

Recommendation

Management was advised to take the necessary actions to correct the outstanding matters.

PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION – SOCIAL PROTECTION
SUPPORT TO THE FOOD PRICE CRISIS (PATH/SPSFPC) GOJ/IDB LOAN 1559/OC – JA-1

- 2.1.69 The funding for this sub-programme by the Inter-American Development Bank (IDB) was paid into the Special Bank Account on May 11, 2010. The cumulative amount expensed from the US\$15,000,000 was fully disbursed by March 31, 2014.
- 2.1.70 Our examination of the financial transactions and accounting records of the Programme disclosed a generally satisfactory state of affairs. Additionally, a review of the Project's achievements revealed that most objectives were met with few challenges. There was general compliance with the contractual clauses in the loan agreement during the period ended September 30, 2015.

PATH - JAMAICA SOCIAL AND ECONOMIC INCLUSION OF PERSONS WITH DISABILITIES (JSEIPD)
GRANT NO. TF 014258

- 2.1.71 An audit of the accounting records and financial transactions of the Jamaica Social and Economic Inclusion of Persons with Disabilities PATH Project was conducted for the financial year 2015-2016 during the period April 22, 2016 to June 15, 2016.
- 2.1.72 We evaluated the controls to ascertain whether they were adequate and operating as intended, inspected the records to determine whether they were accurately updated and agreed with the financial statements, and inspected the assets to confirm their existence and that they were suitably safeguarded.
- 2.1.73 The examination of the financial transactions and accounting records of the Programme for the financial year ended March 31, 2016 revealed a generally satisfactory state of affairs.

PATH - INTEGRATED SOCIAL PROTECTION AND LABOUR (ISPL) PROJECT – GOJ/IDB LOAN NO.
2889/OC-JA

- 2.1.74 An audit of the accounting records and financial transactions of the Integrated Social Protection and Labour Programme PATH Project was conducted for the 2015-2016 financial year during the period April to June 2016 in keeping with the loan agreement.
- 2.1.75 We evaluated the controls implemented over the execution of the Project to ascertain whether they were adequate and operating as intended. We also inspected the records to determine

whether they were accurately updated and agreed with the financial statements, and inspected the assets to confirm their existence and that they were adequately safeguarded.

- 2.1.76 The examination of the financial transactions and accounting records of the Programme for the financial year ended March 31, 2016 revealed a generally satisfactory state of affairs with the exception of the slow implementation of the Project.
- 2.1.77 We noted that as at March 31, 2016, the Project only achieved five of the 13 targets included in the loan agreement. We also noted that of the 66 consultancy arrangements included in the Project's document, 14 were either fully or partially completed since the signing of the Loan Agreement in December 2012; notwithstanding that the Project will end in December 2016. Therefore, the Project objectives to improve the human capital and labour market outcomes of the poor by enhancing the efficiency and effectiveness of key social protection programmes may not be achieved.

Recommendation

The Ministry was advised to develop and implement appropriate strategies to achieve the Project objectives.

PATH – SOCIAL PROTECTION PROJECT (SPP2) – GOJ/IBRD LOAN AGREEMENT 8329-JM

- 2.1.78 The Social Protection Project (SPP) 2 is a continuation of the Social Protection Project (SPP) which ended in March 2015. The objective of the Project is to support GOJ in further strengthening its social protection system. The Project is co-financed by the Government of Jamaica (GOJ) and World Bank (IBRD). The World Bank will provide loan funding of US\$40 million over a four-year period from March 12, 2014 to March 30, 2018, while GOJ will contribute approximately US\$74.133 million. An audit of the financial transactions and accounting records was conducted from May 5 to August 26, 2016, in accordance with the terms of the Loan Agreement, the Financial Administration and Audit (FAA Act) and the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI).

The audit revealed a general satisfactory state of affairs except for the finding outlined below:

- 2.1.79 Slow implementation of the Social Assistance Graduation Strategy: Cabinet approved in May 2014, the phased exit of 11,017 families who were no longer deemed eligible for the Programme of Advancement Through and Health Education, and a two-year phased implementation of a Social Assistance Graduation Strategy for 1,000 beneficiary families on the Programme. The objective of the Graduation Strategy was to ensure that beneficiary families did not remain on the Programme indefinitely. The estimated cost to implement both the exit and transition programmes amounted \$1,255.50 million. However, MLSS failed to execute the planned

activities in accordance with Cabinet's decision. Consequently, this cost the GOJ approximately \$1.3 billion for the FY 2014-2015 to FY2015-2016 in cash benefits paid.

- 2.1.80 Further, PATH did not contract consultants to develop a Management Information System to track clients as they receive support through the Graduation System. The System would also provide monitoring support to the Steps to Work Programme. In the absence of an appropriate case management system, the objective of the Graduation Strategy may not be achieved.

Recommendation

Management was advised to take the necessary actions to ensure that the decisions to achieve the Project's objectives are implemented within reasonable timelines.

HEAD 41000: MINISTRY OF EDUCATION, YOUTH AND INFORMATION

- 2.1.81 Our audit of the accounting records and financial transactions of the Ministry of Education for the period April 2014 to March 2016 revealed weaknesses in the controls governing payment of salaries, management of fixed assets and the lack of an Operational Efficiency Report to facilitate assessment of the cost-effectiveness of the Ministry's fleet of vehicles. In addition to identifying overpayment totalling \$292,815, the following deficiencies were noted:

PROCUREMENT AND CONTRACT BREACHES

- 2.1.82 The Ministry incurred interest charges of £3,185.50 and US \$1,523.45 (total of J\$739,523.27) as a result of late payments for 10 invoices from a supplier of textbooks for primary schools. We could not determine whether 200 copies of a Primary Social Studies text costing US\$2,172 or J\$244,675.79 noted as delivered on September 12, 2014 were received as entries to the database but were not cross-referenced to delivery notes or source documents nor were there any other evidence that the books were recorded as being delivered. The inadequate segregation of duties in the receival process was noted, as the officer signing for the books in two instances also assisted in updating the Ministry's book inventory database; a potential for fraud. In addition, payments of \$105.1 million exceeded the contract sum of \$101.1 million for the supply and distribution of secondary schools' textbooks for 2015-2016. However, we saw no approval from the Permanent Secretary for the variation of \$4 million. We were unable to verify contractual payments totalling \$28.1 million as the payment vouchers were not presented for audit scrutiny. This amount included a payment of \$11.9 million for 347 tablets for ASTEP schools and for which no location could be verified as details of their assignment were not presented.
- 2.1.83 Other procurement breaches included the lack of evidence of approval by the Permanent Secretary for a variation in contract sum from \$5,974,800 to \$6,257,800, an increase of \$283,000, for emergency waterproofing of concrete roof slabs at a high school in St.

Catherine. The retention clause was also breached as the retention amount of \$258,642.00 was not withheld, thus depriving GOJ of a remedy should the contract not be satisfactorily executed.

- 2.1.84 The Board and Principal of a Region 1 high school subjected the Government to a liability of \$3.5 million without prior approval. Renovation work was carried out at the school without the apparent prior knowledge or approval of the Ministry, which only became aware when payment was demanded.

LONG OUTSTANDING ADVANCE BALANCES

- 2.1.85 It would appear that the required supervisory reviews and reconciliations of the advance accounts were not being faithfully conducted to ensure that all expenditure is appropriately reported in the relevant financial year. This was evidenced by uncleared advance balances at March 31, 2015 and 2016, which totalled \$2 billion and \$2.8 billion, respectively, for the three heads of accounts. The 2015 balances were being carried from as far back as 2010. We noted as well that 136 accounts had credit balances amounting to \$495 million instead of the expected debit balances. The Ministry has advised that the listings are inaccurate and should not be relied on because of software issues that the Ministry of Finance and the software developers are aware of.

RECONCILIATION OF BANK ACCOUNTS

- 2.1.86 Our review of the status of the reconciliation of the Ministry's bank accounts revealed that the process was not likely to be supporting the intended internal control over the Ministry's cash resources, making it possible for errors and irregularities to remain undetected for protracted periods. We were unable to verify the status of the reconciliation of the General Salary and regional bank accounts, which were said to be in arrears since March 2013. The February 2016 bank reconciliation statements for the Recurrent and Deposit accounts included reconciling items for erroneous debits and credit memos of \$154.8 million and \$332,245.03, respectively. We were unable to ascertain the age of these reconciling items as supporting documentation was not provided. We also did not see any evidence that the Ministry contacted the bank to have the errors, which represent a potential net loss to the Government of \$154.5 million, rectified. Further, we consider that these two accounts were not properly reconciled as the statements showed un-reconciled differences of \$135,672.42 and \$2.6 million for the Recurrent and Deposit accounts, respectively.

UNSUBSTANTIATED JOURNAL ENTRIES

- 2.1.87 We were unable to verify the appropriateness of 15 Recurrent journal vouchers with total value of \$2.2 billion as no supporting documents were attached or otherwise presented for audit scrutiny

EARLY CHILDHOOD DEVELOPMENT PROJECT (ECDP) – GOJ/IBRD LOAN AGREEMENT NO. 8334-JM

- 2.1.88 An audit of the accounting records and financial transactions of the Early Childhood Commission (ECC) and Early Childhood Development Project (ECDP) was conducted for the financial year 2015-2016. Our main findings were as follows:

UNIDENTIFIED REGISTRATION FEES FOR EARLY CHILDHOOD INSTITUTIONS (ECI)

- 2.1.89 The Commission was unable to identify receipts totalling \$ 682,600.00 purportedly collected for registration of ECIs from as far back as 2012, which has been the subject of previous audit reports. The absence of a policy that guides the recognition of revenue has resulted in the understatement of the Commission's revenue. Management should take the appropriate steps to develop a policy indicating the point when revenue is recognized from these collections.

MANAGEMENT OF ACCOUNTS RECEIVABLES – OVERPAYMENT TO EARLY CHILDHOOD PRACTITIONERS

- 2.1.90 Practitioners that separated from Early Childhood Institutions were overpaid subsidies, as the Early Childhood Commission was not notified in a timely manner by those institutions. The accounts receivables relating to the overpayment of Early Childhood Practitioners grew from approximately \$21.663 million in 2014-2015 to \$28.619 million at the end of the 2015-2016 financial year. Failure to collect the overpaid amounts could result in the loss of public funds. Management advised that an arrangement has been made with the Ministry of Education to recover the amounts from practitioners who are still employed in the public service.

EDUCATION SYSTEM TRANSFORMATION PROGRAMME (ESTP) – GOJ/IBRD LOAN AGREEMENT NO. 7815 JM

- 2.1.91 The audit of the accounting transactions and related records of the ESTP's Loan Agreement No. 7815JM - Special Bank Account, as well as the operations of the Programme, revealed a generally satisfactory state of affairs. However, we noted the following discrepancies:
- 2.1.92 The bank reconciliations for the Administrative Accounts were not prepared and approved on a timely basis. In addition, ESTP applied the incorrect foreign exchange rate during implementation period that resulted in foreign exchange losses totalling US\$25,055.49. Therefore, in keeping with the Loan Agreement, the Government of Jamaica will have to absorb the foreign exchange fluctuations.
- 2.1.93 The Inventory records of the Ministry were not updated to reflect assets purchased at costs of \$110.23 million. We also identified that management's ability to readily account for assets under its custody was further undermined as the assets acquired were not assigned a unique identification number.

Recommendation

Management was advised to inform the Ministry to take the necessary actions to correct the discrepancy highlighted.

HEAD 41051 – CHILD DEVELOPMENT AGENCY

2.1.94 The audit of the accounting records and financial transactions of the Child Development Agency (CDA) revealed weaknesses in the management of fixed assets and cash and bank accounts specifically; reconciliation of the Agency's four (4) bank accounts were between four and eleven months in arrears, as the latest reconciliations were done for July 2016. CDA has indicated that it has since taken steps to address the audit concerns.

HEAD 42000: MINISTRY OF HEALTH

2.1.95 Our audit of the accounting records and financial transactions of the Ministry of Health for the period April 2014 to March 2016 revealed long outstanding advances of \$60.7 million and a prior year advance of \$97 million, which had the effect of understating expenditure for the respective period.

1. Further, an Officer was overpaid \$237,688.13 in salary and travelling allowances. In this case, we recommended strengthening of the supervisory checks to ensure correctness of salary computations. The Ministry was also advised to recover the overpayment
2. The audit also identified weaknesses in the controls over asset management. There was no Office Equipment Maintenance Record to account for the life and service history of fixed assets. The risk presented by this weakness was further heightened by the fact that the Ministry had relocated to four offices and two storage locations in 2014. Hence, there was no assurance the assets were adequately safeguarded and could be fully accounted for. We recommended a review of the asset management system and rectification of the deficiencies in the shortest possible time to prevent loss.

HEAD 42035 – GOVERNMENT CHEMIST DEPARTMENT

2.1.96 An audit of the financial transactions was conducted during the period under review and the following weaknesses were highlighted:

OUTSTANDING APPROPRIATION ACCOUNTS

2.1.97 The Department did not submit the Appropriation Accounts for the years ended March 31, 2009-2010, 2011-2012, 2013-2014 and 2014-2015 in accordance with Section 24 1 (b) of the

Financial Administration and Audit (FAA) Act. Failure to submit the Accounts constitutes a breach of the law. Non-submission of the Appropriation Accounts may hinder the ability of those charged with oversight responsibilities from evaluating the performance of the entity as well as making strategic decisions. We recommended that, in keeping with the requirement of the FAA Act, the Government Chemist should take the necessary steps to ensure that the outstanding Appropriation Accounts are submitted.

ABSENCE OF APPROVED STANDARD OPERATING PROCEDURES AND TEST RESOURCES

2.1.98 The mission of the Government Chemist Department is to “provide authoritative analytical and advisory services based on science in support of Governmental programmes”.⁴ However, we found that the Department did not have in place approved Standard Operating Procedures (SOPs) to guide the analysis process. We noted that testing took as long as three years to be performed. In addition, we noted that the Sample Received Register was not updated with the related analytical reports for 167 samples for the period 2013-2016. The records showed that the tests were requested by the Ministry of Health, and were not analysed due to expiration dates, unavailability of reagents, reference standards and equipment to conduct testing. The absence of SOPs to guide the processes could reduce efficiencies in the analysis and certification of pharmaceuticals, toxicology of biological materials and investigations concerning food contamination. Management was encouraged to urgently finalize the draft SOPs for the handling of waste materials, analytical chemistry, and certification to ensure consistency in the operations. Management indicated their intention to document the current procedures for every process; and advised that there are over 90 SOPs for the laboratories in the draft stage.

NO SYSTEM IN PLACE FOR THE DISPOSAL OF PHARMACEUTICAL AND TOXICOLOGY SAMPLES

2.1.99 Our investigations revealed that there was no system in place to dispose of expired, unanalysed and used samples. We found that pharmaceutical samples that had expired or could not be analysed were being stored for protracted periods; while toxicology samples such as human body parts and many food samples were in storage since 2014. We further noted that the Department’s refrigerator became non-functional in November 2014. This resulted in decomposition of the samples, including body parts, which were subsequently buried on the compound of the Department. However, we were not provided with any documented evidence that prior approval was obtained from the Ministry of Health, NEPA and KSAC for this method of disposal. The absence of an adequate disposal system exposes individuals to health risk factors, and raises environmental safety concerns. We urged management to immediately put in place appropriate systems for the disposal of pharmaceuticals and toxicology samples. In addition, the Department should implement suitable measures to reduce the risk exposure of individuals and to prevent litigation in the event of mishaps. Management advised that the

⁴ Government Chemist Strategic Plan 2015-2018

disposal of chemicals is a long-term issue. However, the assistance of the Waste Management Unit of the Ministry of Health would be sought for certain disposals.

ABSENCE OF ADEQUATE PROTECTION FOR CHEMISTS

2.1.100 The audit revealed that Chemists are at risk of inhaling toxic fumes and hazardous chemicals, as there is no respirator provided to reduce the risk of irritation of the respiratory tract. Although Chemists use a fume cupboard, which helps in absorbing some of the odour, there is still the risk of exposure to fumes and chemicals. Failure to have respirators and well-maintained fume cupboards may compromise the health and safety of the users.

STORES BEING OPERATED IN LESS THAN ACCEPTABLE CONDITION

2.1.101 The stores and contents had a high concentration of dust. Some chemicals were stored on the floor and counter-tops, and were exposed to direct sunlight. In the event of an accident, earth tremor or other disaster a spill could occur because the chemicals were not appropriately secured. We also noted that some chemicals, kept in the obsolete store were corroded and were being stored for years, as there was no disposal system in place. Due to the deplorable condition of the stores, the scope of the audit was limited; as we were unable to verify the accuracy and completeness of the records, and the existence of the stock.

ABSENCE OF SUPERVISORY CHECKS

2.1.102 We saw no evidence that independent checks were done by a responsible officer to verify the balances appearing on the store records and physical stock held or to identify obsolete items. Delivery receipts were not secured in a file nor was there any evidence that the stores' officers wrote "checked" on each delivery receipt to indicate that items were verified in keeping with standard accountancy procedures. This weakness could result in the Department paying for goods that were not received.

INADEQUATE MAINTENANCE OF RECORDS

2.1.103 Contrary to Ministry of Finance's Procedures Manual – Control of Government Furniture, Office Machines and Equipment, the responsible officers did not properly maintain the Master Inventory Records. Also, the required Operational and Efficiency Records were not in place to track the history of general servicing and repairs. Additionally, personnel files were not updated with relevant documents such as birth certificates, performance evaluations, marriage certificates, application letters, reports of medical examination and updated personal information, in keeping with Section 2.1 of Staff Order 2004. Failure to keep the inventory records could impede management's ability to appropriately account for the assets, or make economic decisions concerning their use. In the absence of up-to-date personal information, the Human Resource Management could experience difficulty in preparing Pension Particulars

and make informed decisions regarding employees' welfare. Management committed to future compliance.

ABSENCE OF CONTRACT

2.1.104 We identified two instances where repairs to buildings totalling \$1,222,837 were undertaken. However, no formal agreements were in place to protect the Department against non-performance or loss. Management advised that contracts will be duly prepared before work commences and a monitoring mechanism will be implemented.

Recommendations

We recommend that the responsible officers implement appropriate systems of control to improve the management of assets, stores and chemicals. In addition, inventory and personnel records should be updated in a timely manner to comply with Government guidelines. Also, reorder levels should be established to prevent stock out.

HEAD 45000: MINISTRY OF CULTURE, GENDER, ENTERTAINMENT AND SPORT

JAMAICA NATIONAL HERITAGE TRUST

2.1.105 An audit of the accounting records and financial transactions of the Jamaica National Heritage Trust was conducted for financial year 2003/2004.

Our main finding was:

2.1.106 We were unable to verify expenditure for the months of May, July, August and September 2003 totalling \$13,904,682 because the payment vouchers could not be located. A qualified opinion was subsequently expressed on the financial statements based on limitation in the scope of the audit.

Recommendations

Management was advised to implement controls to ensure that accounting records and financial statements are complete and accurate. Additionally, records should be carefully filed and any filing system should include a document log.

HEAD 50000: MINISTRY OF INDUSTRY, COMMERCE AGRICULTURE AND FISHERIES

2.1.107 An audit of the Appropriation Accounts, financial transactions, accounting and other operational records of the Ministry of Industry, Commerce, Agriculture and Fisheries (MICA) was conducted to determine whether the Accounts were presented in accordance with the

applicable financial reporting framework. The audit also focused on assessing the effectiveness of the controls over the preparation and presentation of the Accounts as well as the level of compliance with relevant regulations, circulars and other Government of Jamaica financial guidelines. The period examined was April 2014 to March 2016. The areas of focus for the audit were the Appropriation Account, emoluments, bank reconciliation, revenue, expenditure and fixed assets.

WEAK CONTRACT MANAGEMENT

2.1.108 The GOJ's Procurement guidelines were not strictly adhered to for four contracts totalling \$29.3 million during the period. These contracts were for renovation and construction works carried out at various divisions of the Ministry. The infractions included lack of NCC approval and evidence of certificate of practical completion to support final payment. Additionally, 19 (66 per cent) of the 29 Procurement Committee minutes relating to the award of contracts were not initially signed by the Chairman; these minutes were later signed by the Chairman after being highlighted in our audit report. The Ministry also paid an additional \$2.6 million to complete a renovation contract related to the Twickenham Park location that was initially valued at \$9.5 million. MICAF also did not present the requisite approval for the extension of time on this contract that had a time overrun of over 70 days. The Ministry later took steps to remedy the concerns in relation to its contract management.

DEFICIENCIES IN ASSET MANAGEMENT

2.1.109 MICAF failed to record 33 of the 51 motor vehicles that are registered in the Ministry's name on the inventory record. Checks revealed that these 33 vehicles were being operated at outstations and agencies that fall under the Ministry's control. The Ministry subsequently carried out an investigation to identify the vehicles registered in its name and updated the inventory record accordingly; however, the Ministry indicated that it could not identify the location of three of the vehicles registered in its name.

2.1.110 The Ministry also did not report four accidents that took place during the period under review to the Financial Secretary and the Auditor General's Department as required by Government's guidelines. Additionally, motor vehicle efficiency records were not updated in over six months and despite several requests, a motor vehicle logbook was not presented for examination. In the absence of these control records, it could not be verified whether the MICAF's vehicles were operating efficiently and were being used for official business. The Ministry took steps to record maintenance activities subsequent to the audit.

2.1.111 Furniture and equipment purchased between April 2014 and February 2016 amounting to \$17.8 million were not included in MICAF's inventory records. We found that the procurement of assets within the Ministry was not always initiated by the Facilities Unit. This contributed to the Ministry's failure to adequately account for assets purchased, as these assets were not marked and inventoried prior to distribution. Subsequent to our report, the Ministry advised that steps

have been taken to update the inventory and that the exercise should be completed by March 2017.

Recommendations

In order to strengthen its overall operations, the Ministry was urged to review its controls to ensure that contracts are monitored and that all requirements of the procurement guidelines are adhered to and present the requested documentation for audit scrutiny. Also, a review of the Ministry's control over its assets is necessary. The Ministry accepted our recommendation and took steps to record these assets.

AGRICULTURAL COMPETITIVENESS PROGRAMME (ACP)

- 2.1.112 An audit of the accounting records and financial transactions of the Agricultural Competitiveness Programme for the financial year 2015-2016 revealed that there was general compliance with the terms and conditions stipulated in the loan agreement.
- 2.1.113 We noted improvements in the achievement of Project targets during the period under review, as the following activities were completed.
- Key personnel were engaged such as a Component 1, 2 and 3 Coordinators and an Information Technology Officer.
 - Production of the Beauregard sweet potato variety commenced in August 2015 and approximately one hundred and thirty (130) acres was produced. Approximately 77,884 pounds. have been accumulated for subsequent export to the UK market.
- 2.1.114 At the end of March 2016, approximately US\$5.8 million of the total loan funds of US\$15 million was unspent. The Project is slated to be completed by May 25th 2017.
- 2.1.115 Overpayments of salaries totalling \$54,904.75 were made to four Project staff for the period under review. Management was advised to recover all sums overpaid and take steps to prevent similar occurrences.

JAMAICA INTELLECTUAL PROPERTY OFFICE

- 2.1.116 An audit of the accounting records and financial transactions of the Jamaica Intellectual Property Office was conducted for the period April 2014 to March 2016 during the period April 11 through May 27, 2016.
- 2.1.117 The objective of the audit was to assess whether, in all material respects, the financial statements give a true and fair view of the Jamaica Intellectual Property Office's financial

position as at 31 March 2015, its financial performance for the year, movement in equity and its cash flows for the year ended March 31, 2015.

THE FOLLOWING WEAKNESSES WERE IDENTIFIED:

- 2.1.118 Up to the time of reporting, JIPO had not recovered a staff loan made to a former Executive Director in 2007 amounting to \$5.02 million. This amount is deemed irrecoverable and remains in accounts receivable without any provision for bad debt, as the officer is no longer employed to JIPO.
- 2.1.119 We found no evidence that JIPO received the approval of the Ministry of Finance for the operation of two travelling positions. This resulted in unauthorized payment of travelling allowances totalling \$2.3 million for the period April 1, 2014 to March 31, 2016 to the two officers. Additionally, another officer was overpaid special allowance totalling \$458,018.12 for the period September 7, 2015-March 2016.
- 2.1.120 There was a need for JIPO to strengthen its internal checking process to prevent and detect misstatement in the accounts. Our review identified that the opening balances were materially misstated by \$1.35 million because of management’s failure to post all adjustments in the prior year accounts.

Recommendation

Management should exercise due care in following up with debtors to prevent loan loss and recognizing transactions in the accounts, in accordance with the relevant standards, guidelines, law and regulations.

HEAD 56000: MINISTRY OF SCIENCE, ENERGY AND TECHNOLOGY

- 2.1.121 We conducted an audit of the financial transactions and accounting records of the Ministry of Science, Technology, Energy and Mining for the financial year 2014-2015 to express an opinion on whether these accounts were presented in accordance with the financial reporting framework and whether operations complied with the promulgated laws and guidelines.
- 2.1.122 We found a generally satisfactory state of affairs. The few weaknesses identified were brought to the attention of the Accounting Officer, who has subsequently taken steps to address same.

- 2.1.123 An audit of the accounting records and financial transactions of the Energy Security Efficiency Enhancement Project was conducted for financial year 2015-2016.
- 2.1.124 The Energy Security and Efficiency Enhancement Project (ESEEP) is funded by a US\$15M loan from the International Bank for Reconstruction and Development (IBRD/World Bank) and is geared towards increasing energy efficiency and security through the implementation of the Government of Jamaica National Energy Policy.
- 2.1.125 The Project was expected to be implemented over a four-year period from May 2011 to June 2015; however, this was extended to December 31, 2017.
- 2.1.126 No material weaknesses were noted in the internal control structure of the Project Unit, and no instances were noted where the Unit acted contrary to the terms of the loan agreement or other applicable regulations. However, the audit revealed that the project experienced difficulties in completing activities being implemented by the Bureau of Standards Jamaica which could hinder the achievement of the Programme's objectives.

The following weaknesses were identified:

- 2.1.127 A review of the anticipated targets for the period under review was done. Five of the seven targets were completed; two targets for the year were still in progress. Delays in the completion of project activities may negatively impact the completion of the Project by the revised completion date of December 31, 2017. Management was advised to take the necessary steps to improve efficiency in the procurement process to avoid additional delays.
- 2.1.128 There was no Steering Committee in place for the financial year under review. The last Steering Committee meeting held was for September 2014. Failure to have a Steering Committee in place deprives the Project Implementation Unit of guidance and technical support to assist with the implementation of the Project.

Recommendation

Management should take the necessary steps to have a Steering Committee in place as required by the Loan Agreement.

HEAD 56039 – POST AND TELECOMMUNICATIONS DEPARTMENT

- 2.1.129 Our audit of the Appropriation Account and financial transactions of the Post and Telecommunications Department (PTD) for the financial year 2014-2015 highlighted weaknesses in control over the bank accounts, fixed assets and salary payments.
- 2.1.130 We noted various unresolved matters on the March 2015 bank reconciliation statements for the Recurrent, Deposits and Revenue bank accounts. The Recurrent account reconciliation statement showed unresolved debit and credit memos totalling \$179,517.92 and \$141,697.83,

respectively, which were reported to have occurred at the change from the FMIS to the FINMAN accounting systems. The reconciliation statement for the Deposit account reflected unsettled errors/differences such as uncredited amounts of \$36,886,631.09, since July 2000 and unidentified debits of \$22,503,028.10 since March 2001. The Revenue account reconciliation showed outstanding lodgements of \$8,852,471.84, which were reduced to \$6,613,821.61 by July 2015. We recommended that management should give greater attention to addressing outstanding items on the bank reconciliation statements, and promptly follow up matters with the bank to make sure errors are speedily corrected.

- 2.1.131 There were no Individual Inventory and Machine and Equipment Records in place and the Department did not establish and maintain Motor Vehicle Efficiency Records in compliance with the Ministry of Finance's Procedures Manual and Circulars. We recommended that greater effort should be made to establish and keep up to date the inventory records to comply with the Ministry of Finance Procedures Manual on Control of Government Furniture, Office Machines and Equipment, as well as implement the required evaluation records and prepare quarterly efficiency reports on its vehicles. The Department has since taken steps to address the matters raised and implement the necessary records.
- 2.1.131 Errors in the calculation of some salary payments resulted in overpayments totalling \$224,329.40 and income tax short deducted by \$190,190.77. We also did not receive evidence of Ministry of Finance's approval for the attachment of travelling allowance to 29 posts and were therefore unable to verify that the related payments had been properly made. Amounts totalling \$201,158.61 were subsequently recovered, with arrangements in place to continue recovery of the balance.

YOUTH EMPLOYMENT IN THE DIGITAL AND ANIMATION INDUSTRIES PROJECT LOAN CONTRACT NO. 8405-JM

- 2.1.132 An audit of the accounting records and financial transactions of the Youth Employment in the Digital and Animation Industries Project (YEDAIP) was conducted for the eighteen-month period ending March 31, 2016.

Our main findings are as follows

- 2.1.133 The Project Steering Committee did not meet at least bi-annually. The evidence provided indicated that this committee met once for the financial year April 2015 to March 2016 but met on four occasions during the period October 2014 to March 2015.
- 2.1.134 The Project Manager did not prepare and submit the required bi-annual progress reports to the IBRD.
- 2.1.135 An appropriate accounting software was not in place. Instead, financial transactions were recorded using an Excel Workbook.

2.1.136 An approved Project Operations Manual has not been implemented.

Recommendations

Management was advised to take the appropriate steps to ensure the Project’s operations are executed in compliance with all the clauses of the loan agreement; the accounting software should be fully implemented to make the project operations more efficient and enhance the preparation of the financial information.

Additionally, management was encouraged to complete the Draft Operations Manual and obtain the requisite approval for implementation within the 2016/2017 financial year.

HEAD 68000: MINISTRY OF TRANSPORT AND MINING

MINISTRY OF TRANSPORT, WORKS AND HOUSING

2.1.137 An audit was conducted of the financial transactions and regulatory operations for 2014-2015 and 2015-2016, as well as Appropriation Accounts for the financial year 2014-2015 . Our review disclosed the need to strengthen the controls to prevent misstatements and breaches of stipulated guidelines as highlighted below:

OUTSTANDING ADVANCES

2.1.138 At March 31, 2015, the Ministry’s records disclosed outstanding advances totalling \$1.1B. Our review of outstanding advances for the period 2012-2013 to 2014-2015 showed a significant increase in uncleared balances over the three years. Uncleared advances moved from \$373 million in 2012-2013 to \$764 million in 2013-2014 and \$1.1B in 2014-2015. The arrears appeared to result from a lack of urgency on the part of agencies which received these advances, in supplying the relevant documents to clear the outstanding amounts. Management indicated that efforts were being made to clear these advances. The uncleared advances have the effect of understating reported expenditure for the aforementioned financial period.

2.1.39 Excess Appropriation-In-Aid collected by Caribbean Maritime Institute (CMI) and Maritime Authority of Jamaica (MAJ) were not submitted to the Ministry for lodgment to the Consolidated Fund as required, but kept by the Institutions and treated as advances by the Ministry. We were not presented with the Ministry of Finance’s approval for this arrangement, which could result in unauthorized expenditure. We noted that prior to 2012-2013 and up to February 2016, both institutions owed a total of \$172 million. Management indicated that efforts are being made to regularize this matter.

- 2.1.140 The Ministry failed to ensure that the relevant documentation is submitted to clear advances in a timely manner. This shortcoming has resulted in expenditure being understated for the respective financial years. For example, the St. James Parish Council has not provided the relevant documentation to clear \$725,563.00 received in 2014-2015 under the Chikungunya Virus – Vector Control Programme.

INADEQUATE CONTROLS OVER PROJECTS CLOSURES

- 2.1.141 Up to January 2016, MTWH had unpaid retention money totalling \$5.1million for 13 contractors. Certificates of Final Completion were not done to close out these projects at the end of the defects liability period as required, although the projects were completed between four and 15 years. The Ministry has since remitted \$2.4million to the Consolidated Fund in respect of amounts for which the statute of limitation has passed. However, no action has been taken to address the underlying problem.

Recommendation

The Ministry was advised that efforts should be made to clear outstanding advances and implement proper systems to ensure that project is closed out in a timely manner.

HEAD 72000: MINISTRY OF LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT

- 2.1.142 The Ministry of Local Government and Community Development has portfolio responsibilities for Social Welfare Services, Community Development and Local Government Administration. The Ministry comprises the Headquarters for Central Administration which is supported by field Units island wide. These Units provide a system of local administration and recognize the influence of individuals in Community Services. The audit revealed inadequate control over the management of laptops and the need for improvement in the oversight role of the Internal Oversight Unit.

INADEQUATE CONTROL OVER GOVERNMENT COMPUTERS

- 2.1.143 Forty-eight of the 52 laptops recorded on the Ministry's Fixed Asset Register were not presented for audit inspection. Only four laptops were initially presented for physical verification as it was reported that the remaining laptops were assigned to persons in outstations. The Ministry subsequently reported that only 27 laptops are currently active and in use, 22 of which were presented for physical inspection with five outstanding. A report on the disposal of the 25 (52-27) laptops is anticipated for further audit scrutiny.
- 2.1.144 Further, the Ministry failed to provide evidence of the servicing of these assets in accordance with the Ministry of Finance and Public Service Circular no.9 dated September 28, 2009, which stipulates that these assets should be serviced once every three months. Management subsequently, undertook an exercise and updated the service records.