

# MINISTRY PAPER

GOJ/R

---

## GOVERNMENT OF JAMAICA AUDIT COMMISSION'S ANNUAL REPORT FOR FINANCIAL YEAR ENDING MARCH 31, 2017

### 1. INTRODUCTION:

The matter for tabling in the Honorable Houses of Parliament is the Annual Report for the Government of Jamaica Audit Commission for the year ending March 31, 2017.

### 2. CHAIRMAN'S MESSAGE:

I am pleased to present the Annual Report of the Government of Jamaica (GOJ) Audit Commission for the year ended March 31, 2017. The Commission had another significant year as we completed five years since being reconstituted. It was a bitter sweet year as we bid farewell to Commissioner Hope Blake, whose tenure had expired and welcomed Commissioner Veronica Warmington to the team. We use this opportunity to thank Mrs. Blake for her invaluable input and sterling commitment to the Commission for the past five years.

For the reported year, greater efforts were employed by the Commission to engage the audit committees as well as the support of the accounting officers to improve the governance issues reported in the previous years.

The Commission with the aid of its Secretariat coordinated training to educate the audit committee members on current and emerging trends in public sector financial management that is essential in enhancing their knowledge and effectiveness in the execution of their duties. We also met with the accounting officers within the ministries, departments and executive agencies where the focus was on how each stakeholder, working as a team, can improve the internal control and governance system within their organization and by extension, the Public Sector.

We have a number of planned activities for 2017-2018, including: our annual GOJ Audit Commission Conference; revision of the Audit Committee Handbook; ongoing meetings with key stakeholders including Cabinet, as well as, monitoring of the audit committees to ensure continued efficiency and effectiveness.

Finally, I would like to take this opportunity to acknowledge and thank my fellow Commissioners of the Audit Commission, the Secretariat and all audit committee members for their unwavering support in service to their country, by way of active participation in the corporate governance process.

As the famous Michael Jordan says, "talent wins games, but teamwork and intelligence win championships." So let's champion our mission as we continue to work hard and make a difference for our country.

### 3. OVERVIEW:

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

During the financial year 2016-2017, there were 8 meetings convened by the Commission. There are currently thirty audit committees under the purview of the Commission and all committees are functional. All committees are operating at full complement with a total of two hundred and ten committee members overall.

### 4. OPERATIONAL HIGHLIGHTS:

- a) Appointment of Members. Appointment of additional members to audit committees. During the preceding period several active committees experienced challenges with their membership due to resignations,

migration and non-attendance at meetings by a few appointed members. This necessitated the immediate appointment of new members in accordance with the FAA Act. To this end, twelve (12) members were appointed to nine (9) committees.

b) Meeting with Permanent Secretaries' (PS) Board and Chief Executive Officers. The Commission met with the PS Board and Chief Executive Officers (CEO) for the Executive Agencies at the Office of the Cabinet, on May 20 and September 29, 2016, respectively. For the meeting with the CEOs, the Honorable Audley Shaw, Minister of Finance and the Public Service, provided a brief and well received presentation on the importance of collaborative efforts by the CEOs, Audit Commission and audit committees; to promote good governance within the Government of Jamaica.

At both meetings, the Commission highlighted its role and function and that of audit committees; as well as, challenges facing the audit committees. These included: staffing for the Internal Audit Units; engagement in pre-audits; adequacy and timeliness of management responses; secretarial support and stipend paid to the committee members. At the conclusion of the meeting with the PS Board, it was agreed that the Board would write to the Ministry of Finance and the Public Service to request a review of the internal audit units and the classification/grade for internal auditors; as well as, an early implementation of shared services for internal audit.

c) Meeting with Stakeholders. The Commission hosted one appointment briefing at the Office of the Prime Minister on September 8, 2016 and provided materials to assist newly appointed Audit Committee Chairmen and members to properly execute their functions.

Also, a special meeting with the chairmen and vice chairmen was held at the Ministry of Finance and the Public Service on February 14, 2017. This was in an effort to address concerns communicated to the Commission by the Permanent Secretaries and Chief Executive Officers within the Executive Agencies. The meeting also re-emphasizes the need for managing the audit committees effectively. Topics such as: submission of annual reports; reviewing of financial statements; submission of meeting reports; audit committee charters; audit management software tool, (TeamMate-Team Central); relationship with stakeholders and management responses to IA reports, were discussed.

d) Training. The Commission hosted its annual Conference on October 27, 2016 under the theme “Dissecting the Past, Protecting the present and shaping the future”. Powerful presentations on topics such as: forensic audits, organizational ethics, risk assessment and building and leading great teams were featured at the conference. In addition, a select group of students from the Universities of Technology and the West Indies who were enrolled in the study of auditing, accounting and management attended the Conference.

A workshop on understanding government financial statements was held on April 26, 2016 at the Ministry of Finance and the Public Service. The purpose of the workshop was to sensitize audit committee members on the GOJ’s Chart of Accounts and the revision of the Appropriation Accounts. The workshop was attended by representatives from all thirty (30) audit committees.

- e) Commissioners' Tenures Six (6) Commissioners who were appointed in 2011, tenures expired effective June 30, 2016. It should be noted that the Act does not prohibit new appointment of previous members whose tenures have expired. Effective July 1, 2016, the following persons were appointed as Commissioners by the Governor General: Mr. Leighton McKnight (Chairman); Mr. Collin Greenland (Vice Chairman); Mr. Dwight Moore; Mrs. Veronica Warmington; Mrs. Marjorie Johnson and Mrs. Delores Linton-Williams.

## 5. EXAMPLES OF MAJOR FINDINGS FROM INTERNAL AUDIT REPORTS

- **Non-Collection of Travel Tax** - It was reported that an airline owed approximately JA\$71 million for travel tax and airline passengers levy to the government.
- **Land Lease Arrears** - Crown land lease arrears in excess of JA\$65 million as at the end of the final quarter 2015-2016; some of which have been outstanding from as early as 1985.
- **Unidentified direct deposits**- unable to ascertain the source of direct deposits totaling JA\$4.1 million.

The audit committees have noted that they will be following up with relevant entities, to resolve the issues reported.

## 6. AUDIT COMMITTEES MAJOR CONCERNS

- a) **Staffing** - Human Resource constraints continue to plague the internal audit function and it was revealed that this situation had escalated with a total of Nine (9)

Internal Audit Units (IAUs) up from six IAUs who reported these concerns in the previous year. For example, major Ministries such as: Ministry of Health and Ministry of Justice have been operating with less than 50% of their staff complement. Also, the situation where there was only one internal auditor within an entity now affects two entities. These include: the Child Development Agency (CDA), an entity which has island-wide operations and Jamaica Information Service (JIS). In addition, the Management Institute for National Development (MIND) has been operating without an Internal Auditor for the last year. This limits the ability of the affected audit committees to express an informed opinion on the systems of internal control for the entities under their purview.

The main reason for the staff attrition and shortages is the disparity in the remuneration package for the internal audit function, compared to its counterparts in the Auditor General's Department and the accounting function. As a result, there is increasing difficulty in attracting and retaining high-calibre talent and long delays in recruiting qualified individuals to fill IA positions.

- b) **Timeliness of management responses** - This area continues to be a major concern for the Commission. A few committees have noted improvements in this area, however a majority have reported that there is much room for improvement. The annual reports from the committees showed that approximately 52% experienced slow and or inadequate management responses. This is an increase of 4% in comparison to the previous financial year. The Commission views this as chief among the issues that can repudiate its efforts in minimizing risk and improving governance processes. To this end, the Commission will engage the Cabinet with an effort to enforce accountability as well as, continue to work with audit committees and the respective accounting officers to address the root causes.

- c) **Financial Statements Certification.** It was reported that the ministries/agencies were tardy in presenting their annual financial statements to the internal auditors for certification as stipulated in the Financial Management Regulations 2011, regulation 73. Committees' reports revealed that 44% of the Ministries, Departments and Executive Agencies had financial statements outstanding; this is an increase of 2% from the previous year. One entity's backlog was as far as 2010-2011.

The Commission will engage the Cabinet with an effort to enforce accountability as well as, continue to work with audit committees and the respective accounting officers to address the root causes of the issues identified above.

## 7. FINANCIAL HIGHLIGHTS

- a) The approved budget for the financial year was JA\$1,394,000.00. This allocation was used to cover recurring expenses such as the stipend paid to each Commissioner for attendance at meetings and the training/workshop sessions for audit committees held throughout the financial year. The actual expenditure for this period was a total of JA\$1,233,548.22.
- b) The overall amount paid for stipend to the seven Commissioners was JA\$94,500.00 (*See attached: Commissioners Compensation Schedule*).
- c) The request for an increase in the stipend for the audit committees within the central government was submitted to the Ministry of Finance and the Public Service. The last increase was approved in 2007. Hence, the revision of the stipend is overdue.
- d) The Audit Commission's finances were administered by the Ministry of Finance and the Public Service; that is, all expenses were met from an activity under the Ministry's recurrent head of expenditure. Hence, the details of its

financials were extracted from the Ministry's financial statements for the period ending March 31, 2017.

## 8. CONCLUSION

Amidst the recurring issues and challenges, including: inadequate internal audit staffing; lack of timeliness and inadequacy of management responses; and tardiness in submitting the entities' financial statements for certification, the internal audit function and audit committees continue to play a critical role in the provision of sound advice to management, on governance, risk and control processes.

The GOJ Audit Commission is confident that its strategy of engaging its key stakeholders will yield much fruit in the medium to long term; and to this end, will continue to employ a collegial approach, by engaging the Ministry of Finance and the Public Service, audit committees, as well as the support of the accounting officers, to achieve improvements in the MDAs.

Our Report is respectfully submitted to The Honourable Minister of Finance and the Public Service this 30<sup>th</sup> day of September 2017.



**NIGEL CLARKE, DPHIL, MP**

**MINISTER OF FINANCE AND THE PUBLIC SERVICE**

May 25, 2018





# GOJ AUDIT COMMISSION ANNUAL REPORT

Financial Year 2016 - 2017

2017

**MINISTRY OF FINANCE AND THE PUBLIC SERVICE  
30 NATIONAL HEROES CIRCLE, KINGSTON 4**





**Government of Jamaica**  
**Audit Commission**

30 National Heroes Circle ♦ G Block, 3<sup>rd</sup> Floor, West Wing ♦ Kingston 4 ♦ Telephone: 932-5225

September 28, 2017

The Honourable Audley Shaw, CD, MP  
Minister of Finance and the Public Service  
Ministry of Finance and the Public Service  
30 National Heroes Circle,  
Kingston 4.

Dear Minister Shaw,

**Re: Government of Jamaica (GOJ) Audit Commission Annual Reports for F/Y 2016-2017**

The enclosed reports represent the GOJ's Audit Commission Ministry Paper, Cabinet Notes and annual report for the financial year April 2016 - March 2017. These are being submitted in keeping with Section 33] Subsection (2) of the Financial Administration and Audit Act (Amendment), 2009, which instructs that the reports must be laid in the House of Representatives and the Senate by the Minister of Finance.

Additionally, the financial statements for the periods should have also been submitted along with the annual reports; however, the Audit Commission's finances were administered by the Ministry of Finance and the Public Service; that is, all expenses were met from an activity under the Ministry's recurrent head of expenditure. Hence, the details of its financials can be found in the Ministry's financial statements for the year ending March 31, 2017.

In light of the foregoing, the enclosed reports are being submitted to your office for signature in order to adhere to the established protocol for the submission of annual reports to the House of Representatives.

Yours sincerely,

Leighton McKnight, CD  
Chairman-GOJ Audit Commission

## Table of Contents

<b>CHAIRMAN'S MESSAGE</b> .....	3
<b>OVERVIEW</b> .....	4
<b>FUNCTIONS AND POWERS OF THE COMMISSION</b> .....	5
<b>OFFICE OF THE COMMISSION</b> .....	6
<b>STAFF</b> .....	6
<b>VISION &amp; MISSION</b> .....	7
<b>Vision Statement</b> .....	7
<b>Mission Statement</b> .....	7
<b>MEETINGS</b> .....	7
<b>COMMISSIONERS' TENURES</b> .....	8
<b>MAJOR ACTIVITIES</b> .....	8
<b>FINANCIAL STATUS</b> .....	11
<i>Stipend</i> .....	11
<i>Financial Statements</i> .....	12
<b>AUDIT COMMITTEES' ANNUAL REPORTS</b> .....	12
<b>Major Findings from Internal Audit Reports</b> .....	12
<b>Issues Affecting the Effectiveness &amp; Efficiency of the IAU</b> .....	13
<b>CONCLUSION</b> .....	14

## **THE GOVERNMENT OF JAMAICA AUDIT COMMISSION ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup>MARCH 2017**

### **CHAIRMAN'S MESSAGE**



**Mr. Leighton McKnight, CD, B.Sc, FCCA, FCA  
GOJ Audit Commission-Chairman**

I am pleased to present the Annual Report of the Government of Jamaica (GOJ) Audit Commission for the year ended March 31, 2017. The Commission had another significant year as we completed five years since being reconstituted. It was a bitter sweet year as we bid farewell to Commissioner Hope Blake, whose tenure had expired and welcomed Commissioner Veronica Warmington to the team. We use this opportunity to thank Mrs. Blake for her invaluable input and sterling commitment to the Commission for the past five years.

For the reported year, greater efforts were employed by the Commission to engage the audit committees as well as the support of the accounting officers to improve the governance issues reported in the previous years.

The Commission with the aid of its Secretariat coordinated training to educate the audit committee members on current and emerging trends in public sector financial management that is essential in enhancing their knowledge and effectiveness in the execution of their duties. We also met with the accounting officers within the ministries,

departments and executive agencies where the focus was on how each stakeholder working as a team can improve the internal control and governance system within their organization and by extension, the Public Sector.

We have a number of planned activities for 2017-2018, including: our annual GOJ Audit Commission Conference; revision of the Audit Committee Handbook; ongoing meetings with key stakeholders including Cabinet as well as, monitoring of the audit committees to ensure continued efficiency and effectiveness.

Finally, I would like to take this opportunity to acknowledge and thank my fellow Commissioners of the Audit Commission, the Secretariat and all audit committee members for their unwavering support in service to their country by way of active participation in the corporate governance process.

As the famous Michael Jordan says, "talent wins games, but teamwork and intelligence win championships." So let's champion our mission as we continue to work hard and make a difference for our country.

## **OVERVIEW**

The Audit Commission was reconstituted July 1, 2011 and is a body corporate vested with the responsibility of overseeing the corporate governance structure of the Public Sector through the provision of continued monitoring and support of the Audit Committees in compliance with appropriate regulations.

During the financial year 2016-2017 there were eight (8) meetings convened by the Commission. There are currently thirty (30) fully functioning Audit Committees under the purview of the Commission.

This report reflects the activities of the Commission for the financial year ended 31<sup>st</sup> March, 2017.

## **MEMBERS:**

**Mr. Leighton McKnight** - Chairman, Senior Member of the Institute of Chartered Accountants of Jamaica.

**Mr. Collin Greenland** - Deputy Chairman, Senior Member of the Institute of Internal Auditors - Jamaica Chapter.

**Mr. Dwight Moore** - Inspector General, Public Accountability Inspectorate Division, Ministry of Finance and the Public Service (MoFPS).

**Ms. Veronica Warmington** - Deputy Financial Secretary, Public Expenditure Division (PED), MoFPS. Mrs. Warmington replaced Mrs. Hope Blake whose tenure had expired.

**Mrs. Delores Linton-Williams** - Deputy Auditor General, Auditor General's Department.

**Mrs. Marjorie Johnson** - Chief Technical Director, Office of the Cabinet

**Miss Catherine Williams** - Crown Counsel, the Solicitor General's nominee

## **FUNCTIONS AND POWERS OF THE COMMISSION**

1. The functions of the Commission are to:-
  - i. Appoint Audit Committees and their chairmen as per the FAA Act.
  - ii. Review the audit committees' annual reports and take necessary action.
  - iii. Review and approve the audit committee charters.
  - iv. Maintain files of charters, reports and other correspondence for each committee under its purview.
  - v. Monitor and evaluate the performance of the audit committees against their charters and the relevant guidelines to ensure their continued effectiveness.
  - vi. Act as temporary custodian of audit committee records during the transition of an audit committee.

- vii. Submit a report annually to the Minister of Finance and the Public Service and Parliament on the general activities of the Commission.
- viii. Promote best practices in the operations of the committees through training and timely dissemination of relevant information.
- ix. Perform such other functions as are assigned to it by the Minister.

2. The Commission has authority to:

- i. Seek and obtain information from departments to resolve outstanding issues presented by the audit committees.
- ii. Summon officers of the entity or other persons to appear before the Commission as it deems necessary.
- iii. Remove members of an audit committee subject to Paragraph 7 of the First Schedule of the FAA Act.

## **OFFICE OF THE COMMISSION**

The Office of the Commission is located at 30 National Heroes Circle, Kingston 4. The postal address being:

GOJ Audit Commission  
c/o Ministry of Finance & the Public Service  
G Block, 3<sup>rd</sup> Floor, West Wing  
30 National Heroes Circle,  
Kingston 4.

## **STAFF**

The approved staff structure of the Commission is currently an Executive Director and a Secretary; however, these posts are presently vacant. Notwithstanding, the Commission is supported by the Internal Audit Directorate (IAD) of the MoFPS, which acts as the Secretariat for the Commission.

## **VISION & MISSION**

### **Vision Statement**

The promotion of good corporate governance ideals within the public sector through an effective and efficient audit function.

### **Mission Statement**

To provide expert guidance to the GOJ's audit committees through careful selection and appointment of members, capacity building and monitoring; in order to improve the management, transparency and accountability within Government.

## **MEETINGS**

The Commission held four (4) general meetings between April 1, 2016 and March 31, 2017. However during the period an additional four (4) special meetings were conducted to engage the Permanent Secretaries, Chief Executive Officers from the Executive Agencies, newly appointed members as well as the chairmen and vice chairmen of each committee. All meetings were well attended. The attendance record of members for the four (4) general meetings is as follows:

	<u>Meetings</u>
Mr. Leighton McKnight, Chairman	4
Mr. Collin Greenland, Deputy Chairman	3
Mr. Dwight Moore	4
Mrs. Hope Blake (Tenure expired June 30, 2016)	2
Mrs. Delores Linton-Williams	2
Mrs. Marjorie Johnson	3
Ms. Catherine Williams	4
Ms. Veronica Warmington (Appointed July 1, 2016)	1



## **COMMISSIONERS' TENURES**

The FAA Act, section 33, stipulates that, "*members of Audit Commission shall hold office for a maximum period of five consecutive years.*" In light of this, six (6) Commissioners who were appointed in 2011, tenures expired effective June 30, 2016. It should be noted that the Act does not prohibit new appointments of previous members whose tenures have expired. Effective July 1, 2016, five Commissioners noted on page 4 of this report were re-appointed by the Governor General. One new Commissioner was appointed and one continued as her tenure had not expired.

## **MAJOR ACTIVITIES**

During the period, the Commission honored its functions in accordance with the mandate of the FAA Act; which primarily is to provide support to the audit committees for the Ministries, Departments and Executive Agencies (MDA). To this end, a number of meetings were held with Audit Committee members and Accounting Officers, to facilitate improvements in the functioning of the committees. The following represent notable activities that occurred during the year under review:

### **Appointments and Special Meetings:**

- i. Appointment of additional members to audit committees. During the preceding period, several active committees experienced challenges with their membership due to resignations, migration and non-attendance at meetings by a few appointed members. This necessitated the immediate appointment of new members in accordance with the FAA Act. To this end, twelve (12) members were appointed to nine (9) committees.
- ii. The Commission hosted one appointment briefing at the Office of the Prime Minister on September 8, 2016 and provided materials to assist newly appointed Audit Committee Chairmen and members to properly execute their functions.

- iii. A special meeting with the chairmen and vice chairmen was held at the Ministry of Finance and the Public Service on February 14, 2017. This was in an effort to address concerns communicated to the Commission by the Permanent Secretaries and Chief Executive Officers within the Executive Agencies. The meeting also re-emphasized the need for managing the audit committees effectively. Topics such as: submission of annual reports; reviewing of financial statements; submission of meeting reports; audit committee charters; audit management software tool, (TeamMate-Team Central); relationship with stakeholders and management responses to internal audit (IA) reports, were discussed.

#### **Training: 2016 Annual Conference**

- iv. The Commission hosted its annual Conference on October 27, 2016 under the theme "Dissecting the Past, Protecting the present and shaping the future". The Key Note Speaker, Mr. Dennis Chung, Chief Executive Officer of the Private Sector Organization of Jamaica (PSOJ), engaged the audience with his powerful presentation on the pathway to a successful corporate governance, spearheaded by the audit committees. Due to the dimension and rapid changes in the business world, topics on how audit committees can protect the present and shape the future were presented. Topics such as: forensic audits, organizational ethics, risk assessment and building and leading great teams were featured at the conference. Also, participants received continuing professional development (CPD) hours as appropriate from their professional institutes, for attending.

In addition, a select group of students from the Universities of Technology and the West Indies who were enrolled in the study of auditing, accounting and management attended the Conference. Based on the evaluation from the participants, the Conference achieved its objective by providing meaningful information in advancing the work of the internal

audit functions. Others mentioned that it was informative and should assist with the enhancement of the audit committees' competencies and effectiveness.

**Workshop: Understanding Government Financial Statements**

- v. A workshop on understanding government financial statements was held on April 26, 2016 at the Ministry of Finance and the Public Service. The purpose of the workshop was to sensitize audit committee members on the GOJ's Chart of Accounts and the revision of the Appropriation Accounts. The workshop was attended by representatives from all thirty (30) audit committees.

**Meeting with Permanent Secretaries' (PS) Board and Chief Executive Officers**

- vi. The Commission met with the PS Board and Chief Executive Officers (CEO) for the Executive Agencies at the Office of the Cabinet, on May 20 and September 29, 2016, respectively. For the meeting with the CEOs, the Honorable Audley Shaw, Minister of Finance and the Public Service, provided a brief and well received presentation on the importance of collaborative efforts by the CEOs, Audit Commission and audit committees; to promote good governance within the Government of Jamaica.

At both meetings, the Commission highlighted its role and function and that of audit committees; as well as, challenges facing the audit committees. These included: staffing for the Internal Audit Units; engagement in pre-audits; adequacy and timeliness of management responses; secretarial support and stipend paid to the committee members. At the conclusion of the meeting with the PS Board, it was agreed that the Board would write to the Ministry of Finance and the Public Service to request a review of the internal audit units and the

classification/grade for internal auditors; as well as, an early implementation of shared services for internal audit.

## **FINANCIAL STATUS**

The Commission requested JA\$2,251,000.00 to execute its activities, however only JA\$1,394,000.00 was approved for the financial year April 1, 2016 to March 31, 2017. This allocation was used to cover recurring expenses such as the stipend paid to each Commissioner for attendance at meetings and the training/workshop sessions for audit committees held throughout the financial year. The actual expenditure for this period was JA\$1,233,548.22. The unexpended amount of JA\$160,451.68 was insufficient to cover the other training needs that had been identified. Notwithstanding, the Commission intends to give these areas priority in the ensuing financial year.

### ***Stipend***

During the year, the seven (7) members of the Commission were provided a stipend at the following approved rates:

Chairman - JA\$7,000 per meeting

Members - JA\$3,500 per meeting

The overall amount paid was JA\$94, 500.00 (before statutory deductions) for the financial year. *(See attached Commissioners' Compensation Schedule)*

The request for an increase in the stipend for the audit committees within the central government was submitted to the Compensation Unit at the Ministry of Finance and the Public Service. The last increase was approved in 2007. Hence, the revision of the stipend is overdue.

### ***Financial Statements***

The Audit Commission's finances were administered by the Ministry of Finance and the Public Service; that is, all expenses were met from an activity under the Ministry's recurrent head of expenditure. Hence, the details of its financials were extracted from the Ministry's financial statements for the year ending March 31, 2017.

### **AUDIT COMMITTEES' ANNUAL REPORTS**

There were thirty active audit committees as at March 31, 2017. In the previous financial year, the Commission had 31 active committees; however, due to the merging of the Ministries of Agriculture and Investment, Industry and Commerce, the Commission has one less audit committee under its purview.

To-date all thirty (30) committees or 100% have submitted their annual reports to the Commission as stipulated by the FAA Act. This is highly commendable.

*An analysis of the audit committees' reports was done and examples of some of the points noted were as follows:*

#### **Major Findings from Internal Audit Reports**

- **Non-Collection of Travel Tax** - It was reported that an airline owed approximately JA\$71 million for travel tax and airline passengers levy to the government.
- **Land Lease Arrears** - Crown land lease arrears in excess of JA\$65 million as at the end of the final quarter 2015-2016; some of which have been outstanding from as early as 1985.
- **Unidentified direct deposits**- unable to ascertain the source of direct deposits totaling JA\$4.1 million.

Audit Commission Members: Leighton McKnight, CD - Chairman; Collin Greenland - Deputy Chairman; Marjorie Johnson; Delores Linton-Williams  
; Veronica Warmington; Dwight Moore; Catherine Williams

The audit committees have noted that they will be following up with relevant entities, to resolve the issues reported. In addition, the reports also highlighted several other issues that hindered the effectiveness and efficiency of the internal audit units. These included:

### **Issues Affecting the Effectiveness & Efficiency of the IAU**

- **Staffing** - Human Resource constraints continue to plague the internal audit function and it was revealed that this situation had escalated with a total of Nine (9) Internal Audit Units (IAUs) up from six IAUs who reported these concerns in the previous year. For example, major Ministries such as: Ministry of Health and Ministry of Justice have been operating with less than 50% of their staff complement. Also, the situation where there was only one internal auditor within an entity now affects two entities. These include: the Child Development Agency (CDA), an entity which has island-wide operations and Jamaica Information Service (JIS). In addition, the Management Institute for National Development (MIND) has been operating without an Internal Auditor for the last year. This limits the ability of the affected audit committees to express an informed opinion on the systems of internal control for the entities under their purview.

The main reason for the staff attrition and shortages is the disparity in the remuneration package for the internal audit function, compared to its counterparts in the Auditor General's Department and the accounting function. As a result, there is increasing difficulty in attracting and retaining high-calibre talent and long delays in recruiting qualified individuals to fill IA positions.

- **Timeliness of management responses** - This area continues to be a major concern for the Commission. A few committees have noted improvements in this area, however a majority have reported that there is much room for improvement. The annual reports from the committees showed that approximately 52% experienced slow and or

inadequate management responses. This is an increase of 4% in comparison to the previous financial year. The Commission views this as chief among the issues that can repudiate its efforts in minimizing risk and improving governance processes. To this end, the Commission will engage the Cabinet with an effort to enforce accountability as well as, continue to work with audit committees and the respective accounting officers to address the root causes.

- **Financial Statements Certification.** It was reported that the ministries/agencies were tardy in presenting their annual financial statements to the internal auditors for certification as stipulated in the Financial Management Regulations 2011, regulation 73. Committees' reports revealed that 44% of the Ministries, Departments and Agencies had financial statements outstanding; this is an increase of 2% from the previous year. One entity's backlog was as far as 2010-2011.

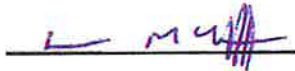
## **CONCLUSION**

Amidst the recurring issues and challenges, including: inadequate internal audit staffing; lack of timeliness and inadequacy of management responses; and tardiness in submitting the entities' financial statements for certification, the internal audit function and audit committees continue to play a critical role in the provision of sound advice to management, on governance risk and control processes.

The GOJ Audit Commission is confident that its strategy of engaging its key stakeholders will yield much fruit in the medium to long term; and to this end, will continue to employ a collegial approach by engaging the Ministry of Finance and the Public Service, audit committees, as well as the support of the accounting officers, to achieve improvements, in the MDAs.

Our Report is respectfully submitted to The Honourable Minister of Finance and the Public Service this 30<sup>th</sup> day of September 2017.

SIGNED:



**Mr. Leighton McKnight CD,  
Chairman**



**GOJ Audit Commission**

**COMMISSIONERS' COMPENSATION  
For the Financial Year ending March 31, 2017**

COMMISSIONERS	Gross Fees (\$)	Motor Vehicle Upkeep/Traveling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
LEIGHTON MCKNIGHT (CHAIRMAN)	28,000.00	NIL	NIL	NIL	28,000.00
COLLIN GREENLAND	10,500.00	NIL	NIL	NIL	10,500.00
HOPE BLAKE (Tenure expired effective June 30, 2016)	7,000.00	NIL	NIL	NIL	7,000.00
MARJORIE JOHNSON	10,500.00	NIL	NIL	NIL	10,500.00
DELORES LINTON-WILLIAMS	7,000.00	NIL	NIL	NIL	7,000.00
DWIGHT MOORE	14,000.00	NIL	NIL	NIL	14,000.00
CATHERINE WILLIAMS	14,000.00	NIL	NIL	NIL	14,000.00
VERONICA WARMINGTON (Replaced Mrs. Blake. Appointed effective July 1, 2016)	3,500.00	NIL	NIL	NIL	3,500.00

**Notes**

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

