

R E P O R T
OF THE
AUDITOR GENERAL
ON THE
APPROPRIATION AND OTHER ACCOUNTS OF JAMAICA
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2003

INTRODUCTION

The Report of the Auditor General of Jamaica is submitted to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act. It contains the findings arising from my audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year ended 31st March, 2003. Reference is also made to the accounts and transactions of subsequent or previous financial years, as well as the accounts of Local Government agencies and other statutory bodies and government companies where considered necessary for the information of Parliament.

2. Examination of the accounts and financial transactions of the Government is conducted in conformity with Section 122 of the Constitution and Section 25 of the Financial Administration and Audit Act. Section 25(1) of the Act states as follows: The Auditor General shall, in performing his functions under Section 122(1) of the Constitution ascertain whether in his opinion –

- (a) the accounts referred to in that section are being faithfully and properly kept;
- (b) the rules and procedures framed and applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenues and other receipts of the Government;
- (c) all money expended and charged to an Appropriation Account has been applied to the purpose for which the provision made by Parliament was intended and that any payment of public money

conforms to the authority which governs it, and has been incurred with due regard to the avoidance of waste and extravagance;

- (d) essential records are maintained and the rules and procedures framed and applied are sufficient to safeguard the control of Government property;
- (e) the provisions of this or any other enactment relating to the administration of public moneys and Government property have been complied with;
- (f) satisfactory procedures have been established to measure and report on the effectiveness of programmes and services.

Scope of the Audits

3. The audits of most ministries, departments and public bodies for the 2002/2003 financial year consisted of examinations, inquiries and investigations to allow assessment of the adequacy of the systems of internal control over the major areas of revenue and expenditure, and obtaining the information and explanations considered necessary for certifying the accounts and financial statements submitted. Additional audit emphasis was applied to those areas of governmental activity where the internal control was weak, others which had been prone to problems in the past, new programmes and areas of general public interest. Follow-up work was also done to ascertain what action had been taken on previous audit observations and recommendations. Once again a number of programmes and projects were selected for special "value for money" audits. These special audits were aimed at assessing if adequate planning had been done, proper management control systems instituted and whether the programmes and projects had been administered economically and efficiently and were achieving their intended objectives.

Contents of this Report

4. This report summarizes the more important observations arising from the various audits conducted in 2003. More detailed comments on the points mentioned, as well as recommendations as to the corrective measures considered necessary, were communicated to Accounting Officers, Principal Receivers of Revenue and other heads of agencies by way of audit queries, reports and other memoranda. Where appropriate the comments and reactions of those officers to my findings and recommendations are indicated. In a number of instances mention is also made in the report of the findings of internal auditors. The heads of government agencies were supplied with a draft of the points I intended to make in this report on their portfolios and given an opportunity to comment thereon.

5. In keeping with the statutory responsibilities mentioned at paragraph 2 above, the Auditor General is duty bound to bring to the attention of Parliament important instances in which the requirements of the Financial Administration and Audit Act, other Acts of Parliament, the Financial Regulations and Instructions, as well as good financial, accounting and management practices have not been observed. The report therefore tends to emphasize the shortcomings and unsatisfactory features disclosed by the audits. Mention is, however, also made of those areas in which a generally satisfactory state of affairs was observed and where marked improvements were noted.

Staff Development

6. The Department continued to encourage staff development. Eleven officers were given time-off, "Day Releases" and study leave to pursue courses of study at tertiary institutions. In 2003 four officers successfully completed the ACCA examinations, one completed the CPA examinations and two received degrees from universities. During the year, 30 officers participated in computer training courses, seven attended accounting courses at MIND and three participated in training courses conducted by the Caribbean Association of Supreme Audit Institutions.

Public Accounts Committee

7. The Public Accounts Committee of the House of Representatives is a standing bi-partisan committee chaired by the opposition spokesman on Finance. Under the standing orders of the House all accounts of government agencies and annual reports of the Auditor General tabled in the House are automatically referred to the Committee. In examining the reports of the Auditor General, the Committee calls upon accounting officers, other heads of agencies and their support staff to explain their stewardship of the public affairs and resources assigned to them. It seeks to identify the causes for weaknesses mentioned in the Auditor General's reports, obtain information on what is being done to rectify the situation, and makes its own recommendations as to the corrective measures which should be pursued. The Committee therefore plays a critical role in helping to ensure that appropriate action is taken on the findings of the Auditor General. The Committee actively pursued its responsibilities during the period under review and my officers and I continued to provide it with appropriate support and advice.

THE ACCOUNTS OF ACCOUNTING OFFICERS

8. Section 16 of the Financial Administration and Audit Act requires the Minister of Finance to designate in writing public officers who shall be Accounting Officers of the departments specified in such designation. Each Accounting

Officer is responsible for the financial administration of the department specified and is accountable to the Minister for, *inter alia*, (i) the assessment and collection of moneys lawfully receivable by his department, (ii) ensuring that the purpose for which an appropriation is approved by Parliament is accomplished, (iii) the custody and proper use of all materials, equipment or other public property administered by him. Accounting Officers are required to maintain accounts and records to reflect:

- (i) expenditure incurred from the funds provided by Parliament;
- (ii) miscellaneous revenues, deposits and appropriations-in-aid which they are required to collect; and
- (iii) assets and liabilities of their ministries and departments.

They are also required by the Financial Administration and Audit Act to submit for audit by 31st July each year annual Appropriation Accounts which form the basis of their accountability to the House of Representatives for the voted funds for which they are responsible. Once again the audits disclosed that the financial affairs of many ministries, departments and other agencies were conducted in a generally satisfactory manner with only minor breaches of the Financial Regulations and Instructions observed. During the period under review many agencies also made genuine efforts to correct the weaknesses identified by the audits. It was noted, however, that up to 5th December, 2003 I had not received 61 Appropriation Accounts for 2002/2003, 18 for 2001/2002 and 10 for 2000/2001. The paragraphs which follow contain the observations arising from the audits which I considered should be brought to the attention of Parliament.

HEAD 0100 – HIS EXCELLENCY THE GOVERNOR GENERAL AND STAFF

9. The audit of the financial transactions and accounting records of the captioned office for the period under review disclosed a generally satisfactory state of affairs. However, up to the date of this report the Appropriation Account for 2002/2003 was not submitted for audit and there was also need for improvement in the maintenance of the control records for motor vehicles, furniture and equipment.

HEAD 0200 – HOUSES OF PARLIAMENT

10. The audit disclosed that the financial transactions of the Houses of Parliament for the year under review were conducted in a generally satisfactory manner. However, there was need for improvement in the controls exercised over motor vehicle operations and the use of telephones. It was also noted that

the related income tax totalling \$307,425 for the partial private use of assigned Government owned motor vehicles, was not collected from seven persons, as required by law. Corrective measures were recommended.

HEAD 0300 – OFFICE OF THE PUBLIC DEFENDER

11. The audit of the financial transactions and accounting records of the Office of the Public Defender for the year under review revealed a generally satisfactory state of affairs.

HEAD 0400 – OFFICE OF THE CONTRACTOR GENERAL

12. An audit of the Contractor General's Office for 2002/2003 disclosed a generally satisfactory state of affairs. However, three officers were overpaid emoluments totalling \$142,572 and there was need for improvement in the maintenance of the telephone control records. The Office subsequently advised that the issues raised were being addressed and recovery of \$58,745 had so far been made.

HEAD 0600 – OFFICE OF THE SERVICES COMMISSIONS

13. An examination of the accounting records and financial transactions of the Commission for the year under review disclosed a generally satisfactory state of affairs. The few shortcomings noted were adequately addressed.

HEAD 1500, 1500A & 1500B – OFFICE OF THE PRIME MINISTER

14. The audit disclosed that the financial transactions of the Office of the Prime Minister for 2002/2003 were conducted in a generally satisfactory manner.

BROADCASTING COMMISSION

15. A test check of the financial transactions and accounting records of the captioned entity for the financial year 2002/2003 disclosed a generally satisfactory state of affairs. The few accounting weaknesses identified were addressed.

CREATIVE PRODUCTION AND TRAINING CENTRE

16. An examination of the financial transactions and accounting records of the captioned entity revealed a generally satisfactory state of affairs. The internal control weaknesses identified were subsequently addressed by management.

URBAN DEVELOPMENT CORPORATION

17. Test check of contracts at the captioned Agency revealed the following deficiencies:

(i) *Breach of Contract Guidelines*

A contract for the reconstruction of the Mondo track at the National Stadium valued at \$49.8M was fragmented into 13 separate contracts each under four \$4M thereby circumventing the requirement for the award to be done on the recommendation of the National Contracts Commission Sector Committee and approval by Cabinet.

(ii) *Inadequate Selection Process*

There was no evidence that a competitive tendering process was employed in the selection of four contractors for works valued at \$61.2M, as stipulated by Government's procurement procedures. Recommendation was made that there should be future compliance to ensure that the process is fair and transparent and that the best prices are obtained.

(iii) *Non-payment of Contractors Levy*

Contractors' Levy of \$85,140 was not deducted from contract payments as required by the Contractors' Levy Act. It was recommended that appropriate corrective action be taken.

(iv) *Unpresented Voucher*

The necessary supporting voucher was not presented for a payment of \$1.38M made to a contractor. The authenticity of the transaction could therefore not be verified.

HEAD 1510 – JAMAICA INFORMATION SERVICE

18. The audit of the captioned Agency for the period under review revealed a generally satisfactory state of affairs. However, the Internal Auditor reported that weaknesses in the controls over the motor vehicle advance cards resulted in the improper use and loss of some of the cards. This caused an estimated loss of \$244,000. The matter was reported to the Police and is before the Courts. The Agency has subsequently instituted corrective measures and it advised that up to the date of this report \$168,000 had been recovered.

BATH FOUNTAIN HOTEL

19. The audit of the financial transactions and accounting records of the Board for the year under review disclosed the following unsatisfactory features:

(i) *Internal Control Weaknesses*

Weaknesses were identified in relation to the receipt and lodgement of cash and approval of payment vouchers.

(ii) *Financial Statements*

Up to the date of this report the required annual receipts and payments statements for the period April 1998 to March 2002 were not presented for audit.

JAMAICA SOCIAL POLICY EVALUATION PROJECT

20. The objective of the Social Policy Evaluation Project, which is funded by the Governments of Jamaica and the United Kingdom, is to establish processes and mechanisms to enable social policy priorities identified in the Social Policy Framework and the Social Action Plan to be disseminated and carried forward effectively in Jamaica. The Social Action Plan focuses on the need to improve policy and implementation processes and to transform the organizational culture of public institutions to ensure that they are more effective. The Project complements the ongoing programme of public sector reform. The audit of the accounting records and financial transactions of the Project for 2002/2003 disclosed a generally satisfactory state of affairs.

PUBLIC SECTOR MODERNIZATION PROJECT

21. The main objectives of the Public Sector Modernization Project are to bring about major improvements in the quality of service provided by selected public sector agencies, to enhance the ability of selected ministries to formulate sound policies, technical standards and operational norms and to improve public accountability by strengthening internal and external controls. The audit of the project's accounting records and financial transactions for the period under review disclosed a generally satisfactory state of affairs except that two instances of uneconomical and unnecessary expenditure totalling \$234,250 were observed.

HEAD 1649 – MANAGEMENT INSTITUTE FOR NATIONAL DEVELOPMENT

22. The audit of the Management Institute for National Development's financial transactions for 2002/2003 disclosed a generally satisfactory state of affairs. However, it was noted that several officers were over paid salaries amounting to \$56,922 and there was need for improvement in the controls exercised over fixed assets, disbursements, blank cheques and payment vouchers.

HEADS 1700, 1700A & 1700B – MINISTRY OF INDUSTRY AND TOURISM

23. The audit of the captioned Ministry for the year under review revealed that the financial transactions were carried out in a generally satisfactory manner.

DEVON HOUSE DEVELOPMENT COMPANY LIMITED

24. The audit of the captioned entity for the year under review revealed the following matters of concern:

- (i) *Internal Control Weaknesses*
 - (a) There was a need for improvement in the procurement process as several instances were identified where payments were made without the appropriate certification, evidence that goods were satisfactorily received and the

requisite supporting documents. These weaknesses could compromise the entity's ability to safeguard against improper or duplicated payments. The Company advised that steps were being taken to effect improvements.

- (b) Weaknesses were also noted in the accounting for revenues collected which could facilitate errors and/or irregularities.

(ii) *Service Contracts*

A review of four service contracts for \$9,408,038 revealed no evidence that the government procurement guidelines were followed in the engagement of the contractors. It was therefore not possible to assess if the best value for money was obtained.

MILK RIVER BATH

25. Examination of the financial transactions and accounting records of the captioned entity for 2002/2003 revealed that cash collected was not lodged intact as required but was on occasions used for cash purchases and the encashment of employees' salary cheques. There was also need for improvement in the maintenance of the fixed assets records.

**HEADS 2000, 2000A AND 2000B –
MINISTRY OF FINANCE AND PLANNING**

26. A review of the financial transactions and accounting records for 2002/2003 disclosed a generally satisfactory state of affairs. However, the following shortcomings were noted:

(i) *Salary Overpayments*

Sixteen (16) officers were overpaid salaries amounting to \$116,050 as a result of what appeared to be inadequate internal check. The Ministry advised that \$33,699 of this amount had been recovered up to the date of this report and that steps were being taken to improve the controls.

(ii) *Inadequate Control of Telephones*

There was need for improved control over the use of telephones to ensure that only the cost of approved official calls was met from public funds.

PROVIDENT FUND ACCOUNT

Outstanding Financial Statements

27. The annual financial statements for 2001/2002 and 2002/2003 were not submitted for audit up to the date of this report.

MULTI-SECTORAL PRE-INVESTMENT PROGRAMME
GOJ/IDB LOAN CONTRACT NO. 835/OC-JA

28. The captioned Programme which is jointly funded by the Government of Jamaica and the Inter-American Development Bank aimed to provide financing for Pre-Investment studies required to develop various public sector programmes. The audit of the accounting records and financial transactions of the programme for the period under review disclosed a generally satisfactory state of affairs. However, the Jamaican Dollar equivalent of US\$131,310.15 received as benefit-in-kind was not paid into the Consolidated Fund as required by law. This also resulted in the under-statement of Government's loan revenue and expenditure.

STATISTICAL INSTITUTE OF JAMAICA

29. A test check of the financial transactions and accounting records of the Institute for the year 2002/2003, disclosed a generally satisfactory state of affairs. There was however need for improvement in the controls over fixed assets and the use of the debit cards for purchasing petrol, as well as in the preparation of expenditure vouchers.

**HEAD 2011 – ACCOUNTANT GENERAL'S
DEPARTMENT**

Internal Control Weaknesses

30. Deficiencies were noted in the controls exercised over the preparation of salaries and the issuing and recovery of salary advances. Recommendations were made for improvements, as these weaknesses could result in loss of public funds.

Arrears of Bank Reconciliation

31. At the time of this report, reconciliation of two of the Department's bank accounts was in serious arrears. Failure to properly reconcile bank accounts in a timely manner impedes the Department's ability to detect and correct errors and irregularities.

Outstanding Financial Statements

32. Contrary to Section 24H of the Financial Administration and Audit Act the under-mentioned financial statements for the financial year 2002/2003 which should have been submitted by July 31, 2003 and had not been presented for audit up to the date of this report:

STATEMENT A – Current assets and liabilities of the Consolidated Fund;

STATEMENT D – The Public Debt of Jamaica showing transactions for the relevant year of account and the balance of Sinking Fund held against redemption;

STATEMENT G – Balances held by the Accountant General on deposit at the end of the financial year and the outstanding Advances made therefrom;

STATEMENT I - Outstanding loans or credits guaranteed by the Government. This Statement was also outstanding for the year 2001/2002.

33. Examinations were conducted on financial Statements A and G for the years 1998/1999 to 2000/2001 and Statement E for 1997/1998 to 2000/2001. However, I was unable to certify these accounts as they contained numerous errors and had to be returned for corrections. The Department was again reminded of the need for thorough internal check of the statements prior to their submission for audit.

Privatization of Trans Jamaica Airline

34. In November 1997, the Government sold 80% of its holdings in the captioned airline to a private company for \$30M. Under the related agreement, the Government was to be allotted 20% (10,000,000) of the ordinary shares of the private company. However, information seen indicated receipt of only 16.6% (8,292,000) of the shares. The Department was asked to explain the reason for the difference of 3.4% (1,708,000).

Pension Payments

35. (i) There was need for stricter control over the requirement for the presentation of life certificates by pensioners for them to continue being paid pensions, as the related control record was unreliable. This could contribute to improper payments.

(ii) *Overpayments*

Overpayments totalling \$260,228 were made to two pensioners due to breaches of the life certificate policy and inadequate internal check. The Department subsequently advised that \$165,914 of this amount had so far been recovered.

Public Debt Charges

36. (i) Sufficient information was not presented to allow verification of receipt of loan proceeds of BEF 30.37M in respect of a loan for the construction of a bus depot at Spanish Town. The Department was asked to supply this information.

(ii) Adequate information was not provided to allow verification of receipt by the Consolidated Fund of US\$655,000 and J\$2,918,827,000, representing part-proceeds from a loan, and two LRS issues, as well as receipt of spare parts valued at US\$994,835, which form part of the public debt being serviced. The Department was asked to provide the necessary documentation to allow verification.

(iii) My auditors' calculations disclosed that interest payments of US\$61,816 over the amounts due were made in respect of two loans for the purchase of 100 water trucks. The Department was asked to justify the amounts paid or effect recovery of the overpayment. A response was awaited.

- (iv) Amounts totalling Euros 3,827,000 and US\$20,448,750 which were deducted from loan proceeds and represented loan expenses were not reflected as expenditure in the Department's books. This "netting off" resulted in the understatement of Government's expenditure and loan receipts.

Nugatory Expenditure

37. Failure to remit interest payment on an external loan in the agreed currency resulted in the imposition of a late payment penalty of US\$1,599. The Department was advised to implement measures to ensure that all documents are thoroughly checked prior to payment in order to prevent further loss of public funds.

Overpayment

38. A breach of the Office of the Services Commissions directive resulted in an officer being overpaid salaries amounting to \$98,486. The Department was advised to recover the amount overpaid.

HEAD 2012 – JAMAICA CUSTOMS

39. A test check of the financial transactions and accounting records of the Jamaica Customs Department for the year under review revealed the following shortcomings:

- (i) *Outstanding Appropriation Account*

The Appropriation Account for the financial year 2002/2003 was not presented for examination up to the date of this report.

- (ii) *Internal Control Weaknesses*

Deficiencies were noted in the controls exercised over the use of the telephones, advances, departmental deposits, motor vehicle operations, the motor vehicle advance debit cards, as well as the stores and fixed assets acquired.

- (iii) *Salary Overpayments*

Seven (7) officers were overpaid salaries amounting to \$32,769 due mainly to inadequate records management and internal check. It was recommended that recovery of the amounts overpaid be effected and the controls improved to prevent recurrence.

HEAD 2015 – INLAND REVENUE DEPARTMENT

40. Audits conducted at the Department's head office, the Kingston and Cross Roads Collectorates and five other parish offices for the financial year under review, disclosed the under-mentioned deficiencies:

(i) *Outstanding Appropriation Account*

Up to the time of this report, the Appropriation Account for the year 2002/2003 was not received for examination. This contravened Section 241-(1)(b) of the Financial Administration and Audit Act.

(ii) *Intransit Lodgements*

There was no indication that lodgements totalling \$19.2M, which were reportedly made during the period under review, were credited to the respective bank account up to the date of this report. The Department was advised to ensure that these amounts are properly accounted for at an early date.

(iii) *Overpayments*

Nine officers, five of whom had resigned during the period under review, were overpaid salaries amounting to \$99,693. The Department was advised to take steps to effect recovery.

(iv) *Lodgements on behalf of other Government Agencies*

Collections amounting to approximately \$1.8M in respect of National Insurance Scheme and HEART Trust for the period April to August 2002 were purportedly lodged to the relevant bank accounts. However, copies of the lodgements slips presented for inspection were not stamped by the bank acknowledging receipt of the amounts, neither was evidence presented that the lodgements had been credited to the relevant bank accounts. The Department was told to have the matter investigated and advise how the moneys were accounted for.

HEAD 2041 – TAXPAYER AUDIT AND ASSESSMENT DEPARTMENT

Income Tax Assessments

41. From a sample of 150 taxpayers who were assessed for tax totalling \$544.7M during calendar year 2002, 95 of the assessments totalling \$324.4M were not seen posted to the Inland Revenue Department's computer system, thereby preventing commencement of the collection process.-

Income Tax Arrears

42. Information provided indicated that at March 31, 2003, income tax totalling \$8.64B was owed by delinquent taxpayers. This represented 21.26% of actual collections for the year 2002/2003. Comparatively at March 2002, tax owed amounted to \$3B which represented 8.7% of collections for the year 2001/2002.

Income Tax Returns

43. The files of 100 taxpayers were requested for inspection but only 52 were received. Examination of these files as well as 32 which had been requested the previous year revealed 37 instances in which income returns were not filed for periods ranging from one to six years. The Department was asked to make available the unrepresented files and to take appropriate steps to bring the delinquent taxpayers in compliance with the Income Tax Act.

Income Tax Refunds

44. A sample of 100 refund files was requested for audit of which 94 were received. Examinations revealed that four taxpayers were over-refunded amounts totalling \$66,461. The Department was asked to present for audit the other files, and to recover the amounts overpaid.

GCE Arrears

45. At March 2003 arrears of GCT deemed collectible was estimated to be approximately \$4.5B. This amount excluded estimated assessments, interest, penalty and surcharge, and represented 26.4% of collections for 2002/2003.

GCE Assessments

46. A sample of 150 assessments totalling \$124M made during the year 2002 was selected with a view to ascertaining how much of the amounts assessed were collected. Only approximately 75% of these involving \$93.7M were posted

to taxpayers' accounts, and collection of \$37.4M effected. The Department was advised to more effectively pursue the collection of the outstanding amounts.

GCT Collections

47. The records showed that GCT collections for the year 2002/2003 amounted to \$28.1B which was \$187.7M or 0.67% over the budgeted amount.

Incorrect Computation of GCT Due

48. The audit disclosed errors in the computation of GCT for four taxpayers which resulted in the tax payable being understated by \$458,083. The Department was advised to make the necessary adjustments.

Stamp Duty & Transfer Tax on Estates

49. Of 76 estate files requested, two were not presented for audit, while one file which had to be returned to the Department for 'urgent' reasons was not re-submitted up to the date of this report. The files examined disclosed the understatement by \$110,270 of transfer tax payable by the estates. The Department was advised to present the three outstanding files and recover the understated tax.

Unpresented Refund Documents

50. The relevant original documents for refunds of stamp duty and transfer tax amounting to \$5,022,480 were not presented for audit. I was therefore unable to ascertain the authenticity of these refunds.

Travel Tax Arrears

51. The records disclosed that as at 31st July, 2003 an air carrier owed stamp duty of \$44.3M and related interest of \$1.68M; while ten other air carriers owed interest of \$132,802 for late payment of stamp duty.

Transfer Tax Overdue

52. Under the First Schedule to the Transfer Tax Act, transfer documents can be released by the Department prior to payment of the tax due on the undertaking given by the taxpayers' attorneys, to pay the tax within five months of the release. Information examined showed that up to the date of this report payment of \$6.3M had not yet been made on documents released for more than the time allowed, some from as far back as 1998. The Department was advised to effect collection of these overdue amounts at an early date.

Unverified Payments

53. The necessary information was not provided to allow verification of the correctness of arrears of salaries totalling \$1,089,171 paid to eight employees.

Overpayment

54. An employee was overpaid salary of \$40,191. It was also noted that this officer resigned from the service within one year of being provided with duty concession for the purchase of a motor vehicle. There was, however, no indication that the required recovery of approximately 66 2/3% of the duty concession had been effected.

HEADS 2600, 2600A & 2600B – MINISTRY OF NATIONAL SECURITY

General Comment

55. The audit of the captioned Ministry for 2002/2003 disclosed several shortcomings, the more important of which are summarized below.

Accounting Arrears

56. Up to the date of this report the Appropriation Accounts were not submitted for examination in respect of 1999/2000 to 2002/2003 for the Recurrent Head of Estimates; 2000/2001 to 2002/2003 for Capital A; and 2001/2002 and 2002/2003 for Capital B and the Police Department.

Overpayments

57. Deficiencies were noted in the controls exercised over the preparation of bank reconciliations. This contributed to an amount of \$484,000 that was overpaid in November 2001 not being discovered until the reconciliation was effected in 2003. The Ministry subsequently advised that the company overpaid had signed a repayment schedule and a payment of \$10,000 was made on November 12, 2003.

Contract Payments

58. Satisfactory documentary evidence was not presented to indicate that the prescribed procurement procedures were followed for the awarding of contracts for services with a value of \$3.4M. It was recommended that the Ministry of Finance's guidelines on the procurement of goods and services be strictly

observed in future and the appropriate documentary proof of this be retained for audit purposes.

POLICE DEPARTMENT

59. The audit of the captioned Department revealed internal control weaknesses and accounting deficiencies as follows:

- (i) Supporting vouchers and/or other documentation for payments totalling \$30.45M were not presented for audit.
- (ii) There was no evidence that the stipulated Cabinet approval was obtained for a procurement contract for approximately \$28M.
- (iii) There was need for improvement in the control exercised over the receipt and issue of stores and the maintenance of the stores records. I was subsequently advised that corrective measures were being taken.
- (iv) Interest charges totalling \$55,815 were incurred on bank overdrafts for which the necessary Ministry of Finance approval was not seen. The Department advised that the overdrafts were due to inadequate and/or late provision of funds by the Ministry of Finance to meet the salaries of police personnel.

IMMIGRATION AND PASSPORT OFFICE

Internal Control Weaknesses

60. Serious control weaknesses were observed in the computerized Machine Readable Passport (MRP) System which could expose it to abuse. Inadequacies in the cash accounting system, custody of passports, maintenance of the value book and telephone usage were also noted.

JAMAICA DEFENCE FORCE

61. The audit of the Jamaica Defence Force (JDF) for 2002/2003 disclosed the following areas of concerns:

(i) *Internal Control Weaknesses*

Deficiencies were noted in the controls exercised over blank cheques, preparation of payment vouchers, payment of salaries, stores, equipment and in the recovery of the cost of private telephone calls. Reconciliation of the salaries bank account continued to be in serious arrears. These weaknesses could contribute to the loss of public funds.

(ii) *Outstanding Annual Returns*

Up to the date of this report annual returns had not been filed for statutory deduction from employees' emoluments for 1998 and 1999. This not only breached the relevant Acts but could adversely affect employees' entitlement to benefits.

(iii) *Special Deposit Account*

Expenditure of approximately \$47.93M was made from a Special Deposit Account into which revenue collected had been placed without evidence of the necessary Parliamentary approval. This arrangement also resulted in the understatement of Government's revenue and expenditure. The matter was referred to the Ministry of Finance which has indicated its intention to seek Parliamentary approval in the First Supplementary Estimates for 2003/2004.

(iv) *Breach of Procurement Procedures*

The procurement of goods and services costing approximately \$17.79M was done without evidence that the required competitive price quotations were obtained or that the Procurement Committee was involved in the selection of suppliers. Goods and services costing \$3,026,418 were paid for using pro forma invoices and quotations as supporting documents instead of original suppliers' bills/invoices as stipulated by the Financial Instructions. It was recommended that this practice be discontinued as it could result in erroneous or duplicated payments.

ELECTORAL OFFICE OF JAMAICA

62. The audit of the Electoral Office of Jamaica for the year under review disclosed the following shortcomings:

(i) *Unverified Payments*

Payments totalling \$6,764,639 were made to 22 members of staff for work done beyond normal working hours. However, the hours worked could not be verified as the employees were not required to record their time of arrival and departure. It was also noted that an officer was paid special allowances totalling \$371,875 without evidence of the required Ministry of Finance approval.

(ii) *Assignment of Motor Vehicles*

Five officers were assigned fully maintained motor vehicles to which they were not entitled, based on the Ministry of Finance guidelines. The Electoral Office was told to comply with the Government's motor vehicle policy.

(iii) *Social Activities*

Amounts totalling \$1,049,847M were disbursed during the period under review for social activities involving staff and certain election workers. This far exceeded the existing limit of \$200,000 per annum approved by the Ministry of Finance for such expenditure.

(iv) *Procurement Breaches*

Amounts totalling \$37.4M were paid for various printing services without evidence of the required involvement of a Procurement Committee. Satisfactory explanation was not given for the rejection of a price quotation of \$446,000 over one for \$2M for the supply of 10,000 poll books.

(v) *Renovation Contracts*

Examination of 28 jobs for approximately \$38M which were awarded to one contractor for refurbishing certain buildings occupied by the Electoral Office, revealed several shortcomings as follows:

- (a) There was no evidence that 27 of the 28 jobs were awarded on the required competitive basis. The work was fragmented thereby circumventing the need for the National Contract Commission recommendation and Cabinet approval. There was also no indication that the approval of the landlords was received for the alterations.

- (b) Mobilization advances paid ranged from 50% to 64% of the cost of the jobs, although Cabinet policy stipulated a limit of 10%.
- (c) A suitably qualified person was not required to certify that the work was satisfactorily done before claims made were paid. Two of the claims paid for \$746,000 reflected the installation of 14 extractor fans; however, seven of these were not identified.

(vi) *Outstanding Financial Statements*

Annual financial statements for the years 1999/2000 to 2001/2002 were submitted unofficially for audit but had to be returned for amendments. These were not resubmitted up to the date of this report. Statements for 2002/2003 were also outstanding. This situation prevented a proper assessment of the Office's financial operations and state of affairs.

POLICE PUBLIC COMPLAINTS AUTHORITY

63. The audit of the Police Public Complaints Authority for the year under review revealed a generally satisfactory state of affairs. The few weaknesses identified were adequately addressed by management.

**PRIVATE SECURITY REGULATION
AUTHORITY**

64. The audit of the Private Security Regulation Authority for the year under review revealed a generally satisfactory state of affairs.

**HEAD 2624 –DEPARTMENT OF CORRECTIONAL
SERVICES**

Outstanding Appropriation Accounts

65. The Appropriation Accounts for the financial years 1999/2000 to 2002/2003 were not received for examination up to the date of this report.

Unreconciled Bank Account

66. Up to the time of this report bank reconciliation statements were not prepared since November 2002 and interest charge of \$11,255 was incurred on an unauthorized bank overdraft. This was a breach of the Financial Instructions and recommendation will be made for the accountable officer(s) to be surcharged.

Unsupported Payments

67. The required supporting documents were not presented for payments totalling \$558,620. I was therefore unable to verify their authenticity.

HEAD 2800 – MINISTRY OF JUSTICE

Accounting Arrears

68. Up to the date of this report the Appropriation Accounts for the Ministry and its Departments for 2001/2002 and 2002/2003 were not submitted for audit. Annual Returns for statutory salary deductions were not submitted for the years 1997 to 1999. This could adversely affect employees' access to certain benefits. It was recommended that the arrears be brought up to date expeditiously.

Internal Control Weakness

69. Deficiencies were noted in the control exercised over the operation of the Ministry's motor vehicles which could facilitate inefficiency and abuse. Recommendations were made for improvements. The Ministry subsequently advised that corrective measures were being taken.

Tax on Private Use of Government Vehicles

70. Income Tax was not deducted from the emoluments of 15 officers provided with government owned motor vehicles as required by the Income Tax Act. The relevant information to determine the extent of the liability was not presented. This non-compliance deprived the Government of revenue. The Ministry indicated that recovery would commence in December 2003.

Overpayments

71. The audit disclosed that two officers were paid motor vehicle allowances at incorrect rates over the period April 2000 to October 2003, resulting in

overpayments of \$652,263. The Ministry advised that recovery would commence in December 2003.

**HEAD 2627 – RESIDENT MAGISTRATES' COURTS,
FAMILY AND TRAFFIC COURTS**

Accounting Problems

72. Audits of four Court Offices for the year under review disclosed the continuing need for improvements in the maintenance of cash books, value books, receipt book registers, bank reconciliation statements, telephone control record and the cheques stock record. The weaknesses could result in the loss or misuse of public funds. It was recommended that the relevant records be kept and checked in the manner prescribed by the regulations. The Ministry advised that corrective measures would be implemented.

Outstanding Lodgement

73. There was no indication that an amount of \$80,000 for Miscellaneous Revenue collected and lodged in February 2003, had been credited to the relevant bank account up to the date of this report. The Ministry was advised to investigate the matter to ensure that the amount is properly accounted for.

Outstanding Warrants

74. There was tardiness in issuing warrants for execution in two of the Courts Offices and difficulties were experienced in determining whether certain Warrants of Distringas and Capias or fines were imposed at the other two Courts as the relevant information was not presented.

**HEAD 2630 – ADMINISTRATOR GENERAL'S
DEPARTMENT**

75. The audit of the Administrator General's Department for the year under review disclosed a generally satisfactory state of affairs. However, there was need for improvements in the control exercised over the payroll process and the preparation of expenditure vouchers, and in the maintenance of the fixed assets records. The Department subsequently advised that corrective action had been or was being taken.

HEAD 2632 – TRUSTEE IN BANKRUPTCY

76. The accounting records and financial transactions of the captioned Department examined for the year under review disclosed a generally satisfactory state of affairs. However, deficiencies were noted in the recording of fixed assets acquired, and in the controls over cash and salary preparation. Appropriate recommendations were made for improvement.

HEAD 3000 – MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE

Outstanding Appropriation Accounts

77. The Appropriation Accounts for 2002/2003 were not presented for audit up to the date of this report.

Overpayments

78. Nine officers were overpaid salaries totalling \$621,688, of which \$62,204 was recovered up to the date of this report.

HEADS 4000 AND 4000A - MINISTRY OF LABOUR AND SOCIAL SECURITY

General Comments

79. Audits conducted for the year under review at the Ministry's Head Office and a Parish Office showed improvements in its management and accounting practices. However, certain areas of weakness were noted in the system of internal control, the maintenance of the accounting records and in conforming with Government's guidelines and regulations.

Outstanding Appropriation Accounts

80. At the time of this report, Appropriation Accounts for 2002/2003 were still outstanding.

Control Weaknesses

81. Weaknesses were noted in the preparation of several payment vouchers, maintenance of the deposit accounts, reconciliation of bank accounts and the

control over blank cheques. It was recommended that steps be taken to address these weaknesses promptly as these could expose the Ministry to losses and abuse. The Ministry has promised to take corrective action.

Tax on Assigned Motor Vehicles

82. There was no evidence that the Ministry was deducting the relevant taxes for motor vehicles assigned to six officers. The amount which should have been collected for the year under review was \$107,370. It was recommended that steps be taken to recover the outstanding taxes and to ensure future compliance with the Income Tax regulations.

Unpresented Contract

83. The required contract for work done at a cost of \$1.3M was not submitted for audit.

NATIONAL INSURANCE SCHEME

Accounting Weaknesses

84. Weaknesses persisted in the system for the accounting for NIS contributions and the funding for the encashment of pension vouchers.

Outstanding NIS Contributions

85. The records indicated that outstanding NIS contributions amounting to \$232,485,560 were owed by 963 employers. The related companies were also delinquent in filing Annual Returns for periods ranging between 1994 and 2002. Failure of employers to collect and remit contributions may deprive contributors of benefits due. It was recommended that steps be taken to ensure greater compliance with the NIS regulations. The Ministry subsequently advised that \$45.6M of the amount outstanding had since been collected and 16 employees taken to court.

Loans to Factories Corporation

86. A loan of \$225M was made to Factories Corporation of Jamaica (FCJ) in 2002 to facilitate financing of two Information Technology Projects. The Ministry of Finance gave an undertaking to repay amounts outstanding on this loan if FCJ was unable to do so from its own resources. This guarantee was not approved by the House of Representatives as required by law. At the time of this report, a signed loan agreement was not in place. It was therefore not possible to ascertain what were the terms of the loan agreement and whether they were being adhered to.

87. It was noted that a previous loan of \$224.7M was made to FCJ in 1999 at 18% interest per annum for a period of 15 years. At the time of this report FCJ was in arrears of \$32,580,476 for nine months. It was recommended that steps be taken to collect amounts outstanding and have the loan repayment kept current.

Inadequate Asset Control

88. For the period under review, items of furniture and equipment costing \$8,750,225 were purchased by the Fund. However, there was no evidence that they were recorded in the relevant assets inventory. This could undermine the Fund's ability to safeguard and properly account for its assets. It was recommended that steps be taken to have the records kept up to date.

CANADIAN FARM WORKERS PROGRAMME

NIS Contributions

89. There was no indication that \$5.4M received by the Ministry in February 2002 for NIS contributions on behalf of 5,118 workers in respect of the 2001 season, had yet been remitted to the NIS office.

Use of Motor Vehicle

90. In September 2002, the resources of the captioned programme were used to acquire a 2003 Toyota RAV4 motor vehicle for \$1,100,000. The unit was said to be used to carry out assignments on behalf of the Programme but the required motor vehicle log or other assignment records were not presented to show how the vehicle was in fact used.

HEADS 4100, 4100A AND 4100B – MINISTRY OF EDUCATION, YOUTH & CULTURE

Outstanding Appropriation Accounts

91. Up to the date of this report the Appropriation Accounts for 2002/2003 were not received for audit. Failure to submit the Appropriation Accounts within four months of the end of the related financial year is a breach of the Financial Administration and Audit Act.

Teachers Salaries

92. The audit of teachers' salaries and allowances disclosed eleven cases of short payments amounting to \$788,101 and seven instances of overpayments totalling \$470,085. It was recommended that overpayments/short-payments be investigated and the necessary adjustments effected.

Distance Education Project

93. As part of its in-service training for teachers, the Ministry of Education, Youth and Culture offered a partly funded Bachelor in Education Programme for trained teachers, through the University of the West Indies. The Programme was substantially under-subscribed, with the registration figure of 165 for the first cohort being well below the targeted figure of 600 participants. It was also noted that bonding arrangements for the teachers currently enrolled in the Programme were not finalized. It was recommended that the bonding regime be implemented without much further delay.

Understated Expenditure and Revenues

94. Information seen indicated that the "1999/2001 – Schools Construction Programme" was undertaken under a contract with a construction company for \$1.277B. This Programme was administered by the Urban Development Corporation. The contractor was paid by the issue of Government's Promissory Notes which formed part of the public debt. Arrangements were agreed for these Notes to be discounted by a commercial bank. There was no indication of Parliamentary approval for this item of public expenditure or that the cost incurred was charged to expenditure, and the legally required cash transfer made to the Consolidated Fund. The practical effects was a by-pass of Parliamentary control over public expenditure and the understatement of both Governmental expenditure and loan receipts for the relevant period.

Losses and Irregularities

95. During the period under review the Ministry reported the following losses and irregularities:

- (a) the theft of numerous items of equipment including four television sets, seven VCRs and four computers at four schools. Reports in respect of the losses at three of the schools were made to the police;
- (b) robberies at two schools involving \$107,650;

- (c) salary overpayments to two officers amounting to \$920,434;
- (d) suspected irregularity involving \$191,242 at a primary school. The matter was reported to the police.

University of Technology

96. The audit of the captioned University for the year under review disclosed a generally satisfactory state of affairs. However, the following concerns were noted:

(i) *Special Loans*

Special loans were made to staff, mainly for educational purposes. However, a documented loan policy was not seen to cover such matters as the use of a loans committee for recommending/approving loans, the limit as to the amount which could be borrowed, and the number of loans an individual could receive in a given period. It was also noted that loans were issued interest free in breach of the Ministry of Finance's guidelines.

(ii) *Contract for Renovation Work*

Contractors Levy of \$117,488 was not deducted and paid over to the relevant authorities as required by law in relation to a contract for renovation work.

Edna Manley College of the Visual and Performing Arts

97. (i) *Internal Control Weaknesses*

Weaknesses were observed in the controls exercised over cash receipts, bank reconciliation, emoluments, motor vehicles, investments, staff loans, receipt books, blank cheques and fixed assets. Recommendations were made for corrective measures to be effected.

(ii) *Audited Financial Statements*

Up to the date of this report, the audited financial statements for 2001/2002 had not been submitted to the Ministry of Education, Youth and Culture as required by the Education Act.

Jamal Foundation

98. (i) *Internal Control Weaknesses*

There was need for improvement in the controls exercised over cash receipts, staff loans, motor vehicles and the procurement process. Recommendations were made for corrective measures to be effected.

(ii) *Consultants*

Written contracts were not presented for two consultants engaged during the period under review, and competitive quotations were not seen in relation to the engagement of one of the consultants. The institution was advised to ensure strict future compliance with the stipulated government policy for the employment of consultants.

College of Agriculture, Science and Education

99. (i) *Internal Control Weaknesses*

Weaknesses were observed in the controls exercised over cash receipts and expenditure transactions.

(ii) *Unauthorized Bank Overdrafts*

The College incurred bank charges totalling \$196,935 on unauthorized overdrafts. It was advised to institute appropriate steps to prevent any recurrence.

(iii) *Contracts*

The required written agreements were not seen for the construction of a well and the installation of a pump costing \$3,937,400 and \$207,163, respectively. An officer who did not possess the requisite technical qualification certified that the works were properly performed. An overpayment of \$112,247 to the contractor was also noted.

APPRENTICESHIP BOARD

100. The audit of the financial transactions and accounting records of the captioned entity for the financial year 2002/2003 disclosed a generally satisfactory state of affairs.

THE INSTITUTE OF JAMAICA

101. The audit of the accounts and financial transactions of the Institute for the year under review revealed a generally satisfactory state of affairs.

JAMAICA CULTURAL DEVELOPMENT COMMISSION

102. The audit of the captioned entity for 2002/2003 disclosed that expenditure totalling \$1,762,300 was not supported by the requisite documentation. I was therefore unable to verify the authenticity of the related transactions.

THE NATIONAL LIBRARY OF JAMAICA

103. The audit of the financial transactions and accounting records of the captioned entity for 2002/2003 revealed a generally satisfactory state of affairs. There was, however, room for improvement in the maintenance of the fixed assets records.

JAMAICA LIBRARY SERVICE

104. The audit of the financial transactions and accounting records of the Jamaica Library Service for 2002/2003 disclosed the following areas of concern:

(i) *Unapproved Loan Scheme*

An interest free motor vehicle loan scheme was established without the requisite approval from the Ministry of Finance. The Library Service subsequently advised that it would be seeking the Ministry of Finance's approval, and that no further loan would be granted until this was received.

(ii) *Unremitted Contractors Levy*

There was no indication that the necessary Contractors Levy deduction of \$219,395 was made from payments made to a contractor. The Library Service promised corrective action.

JAMAICA NATIONAL HERITAGE TRUST

105. The audit of the Jamaica National Heritage Trust for the year under review revealed a generally satisfactory state of affairs. However, there was room for improvement in the disbursement process and in the clearance of discrepancies reflected on the bank reconciliation statements.

THE NATIONAL GALLERY OF JAMAICA

106. The audit of the accounting records and financial transactions of the National Gallery of Jamaica for 2002/2003 disclosed a generally satisfactory state of affairs. Work was in progress in having the Gallery's art work taken on inventory and valued. Management estimated that this process would be completed by March 2004.

NATIONAL YOUTH SERVICE

107. The audit of the financial transactions and accounting records of the captioned entity for 2002/2003 revealed a generally satisfactory state of affairs.

HEADS 4200, 4200A & 4200B – MINISTRY OF HEALTH

General Comments

108. For the year under review, audits were conducted at the Ministry's head office, Regional Health Authorities' head offices and several institutions and facilities in the Regions. The audits disclosed several areas of internal control weaknesses and accounting deficiencies, the more important of which are indicated below.

Outstanding Appropriation Accounts

109. Up to the date of this report, the Appropriation Accounts for 2002/2003 had not been received for audit. Failure to submit the Appropriation Accounts within four months of the end of the related financial year is a breach of the Financial Administration and Audit Act.

Outstanding Advances

110. The accounting records reflected net uncleared advances totalling \$270M for the financial years 1993/94 to 2002/2003. Failure to promptly clear advances could prevent public funds being properly accounted for and also result in the understatement of government expenditure. Recommendation for the prompt clearance of advances was made.

Overpayment

111. During the period under review the Ministry reported that an officer was overpaid special allowance totalling \$414,559 over the period July 1995 to October 31, 2002. Of this amount, \$78,244 was recovered up to the date of this report.

Disease Prevention and Control

112. The Disease Prevention and Control Programme was developed to initiate and maintain disease prevention and control measures. Advance payments totalling \$14.9M were made to nine Government agencies to undertake various projects under the programme. At the time of this report only \$3.6M had been cleared. Supporting bills, statements of expenditure and invoices had not yet been submitted by the implementing agencies to account for the remainder of \$11.3M.

PESTICIDE CONTROL AUTHORITY

113. The audit of the captioned Authority for the year under review indicated a generally satisfactory state of affairs.

WESTERN REGIONAL HEALTH AUTHORITY

114. (i) *Furniture and Equipment Control*

I was unable to verify whether proper inventory records were maintained at the Regional Health Authority's head office for the fixed assets acquired for the Region, as the relevant records were not presented for audit. It was recommended that the Authority should comply with the established procedures concerning the control of fixed assets.

ii) *Outstanding Receivables*

Records were not maintained to show the outstanding accounts receivable for the Region. This continued to undermine management's ability to monitor the fee collection process. It was recommended that records should be instituted to reflect the outstanding receivables.

(iii) *Un-remitted Statutory Deductions*

At the time of audit, statutory deductions amounting to approximately \$193.4M made from employees' salaries were not remitted to the relevant agencies.

(iv) *Unsubstantiated Payments*

The required supporting documents were not presented for 14 payments totalling \$101,738. The authenticity of the payments could therefore not be verified. It was recommended that the relevant bills be produced for inspection.

(v) *Outstanding Staff Advances*

It was noted that although staff advances should be cleared the month following disbursement, the records showed that several persons had overdue advances amounting to \$369,100, some of which were over nine months in arrears.

(vi) *Examination of Salaries*

Based on the revised compensation package agreed for government workers, both laundry and uniform allowances were rolled into salary effective April 1, 2001. However, a review of the Authority's expenditure revealed that \$12,432,079 was paid for laundry and uniform allowances for the period April to September 2002. The Regional Health Authority was advised to recover the amounts overpaid.

(vii) *Excess Expenditure*

The financial records revealed that there was excess expenditure of \$427.21M over the budgeted provision for emoluments, travelling and subsistence for the nine-month period ended December 2002. The Regional Health Authority was requested to advise on the

circumstances that gave rise to this situation and the steps which would be taken to rectify the situation.

(viii) *Board Fees*

(a) *Breach of Government Directive*

Three employees who served on the Region's Board were paid fees totalling \$90,900 in contravention of Government's regulation. The amount should be recovered.

(b) Twenty-three (23) persons were paid Board fees totalling \$880,500 without the required deduction of income tax of \$220,125. The Authority was advised to effect recovery and remit same to the relevant authority.

(ix) *Audited Financial Statements*

The Regional Health Authority continued to be in breach of the National Health Services Act in the submission of audited annual financial statements as at the time of this report the audited statements for the period ended June 30, 2000 were not available. The Authority was advised to have the situation rectified at an early date.

(x) *Non-Completion of Contract*

A contract in the sum of \$471,135 was awarded to a contractor to install water tanks at the Westmoreland Health Department. The contractor was paid the full contract sum prior to the commencement of the work. However, up to the date of this report the job was not completed. The Ministry's Western Region's maintenance unit estimated that the value of the incomplete work was \$138,723.

NORTH EAST REGIONAL HEALTH AUTHORITY

115. (i) *Outstanding Receivables*

Records were not maintained to show the amount owed by patients for hospital fees. This undermined management's ability to monitor the collection process.

(ii) *Non-remittance of Statutory Deductions*

At the time of audit, statutory deductions amounting to \$286.6M made from employees' salaries over protracted periods were not remitted to the relevant agencies as required by law.

(iii) *Furniture and Equipment Control Records*

Up to the time of audit, the fixed assets inventory records were not written up beyond December 2000, and therefore did not reflect items acquired during the year under review costing \$10.4M. This weakened management's control over such assets.

(iv) *Non-taxation of Board Fees*

Nineteen (19) persons were paid Board fees totalling \$370,100 without the required deduction of income tax totalling \$92,525.

(v) *Audit of Salaries*

The records disclosed that for 2002/2003 an amount of \$536.7M was budgeted for salaries, wages and sessional fees. However, \$733.9M was expended, reflecting over expenditure of \$197.2M. Despite the magnitude of the expenditure, there was no evidence that the salaries paid were audited by the Region's or the Ministry's internal auditors. It was recommended that periodic audits of this area should be conducted.

(vi) *Gratuity Payments*

Three contract officers who did not satisfactorily complete their contracts, received gratuity payments totalling \$1,249,449, in contravention of the terms of their engagement. The Authority was advised to effect recovery and to ensure future compliance with agreed contract conditions.

(vii) *Audited Financial Statements*

The Authority's appointed auditors have qualified their report on the financial statements for the financial year ended June 30, 2000 because of:

- a) inability to verify inventory of \$8,876,036;

- b) lack of independent confirmation of net assets of \$142M taken over from the Ministry; and
- c) deficiencies in the recording of certain revenues and costs.

(viii) *Suspected Irregularities – St. Ann's Bay Hospital*

The Regional Health Authority's internal auditor reported alleged irregularities perpetrated by certain officers at the St. Ann's Bay Hospital by the submission of fraudulent taxi and subsistence allowance claims, totalling \$196,750. This was facilitated by breaches of the guidelines relating to compensation for the performance of work outside of normal working hours. The Authority was advised to recover the amounts over-paid and to report the matter to the Financial Secretary and the Police as required by the Financial Administration and Audit Act.

SOUTH EAST REGIONAL HEALTH AUTHORITY

116. (i) *Bank Reconciliation*

Reconciliation of four bank accounts was in serious arrears at the time of audit.

(ii) *Outstanding Receivables*

Records were not presented to show the outstanding accounts receivable for the Region.

(iii) *Non-remittance of Statutory Deductions*

At the time of audit, statutory deductions amounting to \$1.14B made from employees' salaries were not remitted to the relevant agencies.

(iv) *Excess Expenditure*

A review of the Region's financial records showed that for the year ended 31st March, 2003 expenditure for Sessions, On Call Allowance, and Rostered Duty exceeded the budgeted provision by \$484.9M. The Authority was requested to advise on the circumstances that gave rise to this substantial cost overrun.

(v) *Furniture and Equipment Inventory*

At the time of audit, furniture and equipment acquired during the year under review for \$12.56M were not entered in the inventory records, as these were not updated beyond 2001. This undermined the Authority's control over such assets.

(vi) *Non-taxation of Board Fees*

Ten persons were paid Board fees totalling \$411,500 without the deduction of income tax amounting to \$102,875 as required by law. The Authority was advised to effect recovery and remit same to the relevant authority.

(vii) *Audited Financial Statements*

The financial statements for the year ended June 30, 2000 had not been certified by the Region's private auditors as the Authority had failed to address all the queries raised in relation to the accounts. The Authority was advised to urgently resolve the outstanding queries raised by the Auditors, so as to facilitate the completion of the audit.

(viii) *Jamaica Drug for the Elderly Programme*

The records disclosed that six public institutions in the region had not remitted to the Ministry fees totalling \$186,827 collected under the Jamaica Drug for the Elderly Programme (JADEP). The Authority was advised to remit the amounts outstanding at an early date.

(ix) *Inadequate Control of Public Money*

Cash inspections conducted at several health centers in St. Catherine revealed unsatisfactory security and custody over cash collected, as well as delayed lodgements. The authority was advised to correct these weaknesses.

(x) *Outstanding Insurance Claims – Spanish Town Hospital*

At the time of audit, the hospital's records disclosed that four health insurance companies owed the institution \$7M in unsettled claims for the financial years 2000/2001, 2001/2002 and 2002/2003. The Authority was advised to vigorously pursue the collection of this

amount. I was subsequently advised that \$4.2M had since been collected.

HEAD 4234 – BELLEVUE HOSPITAL

117. The audit of the captioned hospital for the year under review disclosed the following unsatisfactory features:

(i) *Outstanding Appropriation Account*

Contrary to the requirement of the Financial Administration and Audit Act, the Hospital's Appropriation Account for 2002/2003 was not received for examination up to the date of this report.

(ii) *Unsubstantiated Payments*

Suppliers' bills were not presented to support payments made on 39 payment vouchers for expenditure totalling \$629,490. The authenticity of these transactions could therefore not be verified.

(iii) *Bank Reconciliation*

Reconciliation of the Hospital's bank accounts was in serious arrears. Interest charges of \$235,601 were incurred on an unauthorized bank overdraft, in breach of the Financial Instructions.

(iv) *Inadequate Stores Control*

There was no evidence that food items issued to the kitchen were signed for by the receiving officer.

THE ADOPTION BOARD

118. The accounting and financial records of the Adoption Board for the year under review were found to be generally satisfactory. However, an officer was overpaid \$33,774 and the fixed assets inventory records did not reflect items acquired during the year at a cost of \$488,254. I was subsequently advised that recovery of the overpayment commenced in September 2003 and the fixed asset records were updated.

GOLDEN AGE HOME

119. The relevant supporting documents were not presented for payments totalling \$2,570,852 made during the period April 2002 to January 2003. The authenticity of these transactions could therefore not be verified.

MEDICAL COUNCIL OF JAMAICA

120. An examination of the financial transactions and accounting records of the Council for the year under review revealed the following deficiencies:

(i) *Salaries and Wages*

Two officers were overpaid emoluments totalling \$98,363, while statutory deductions from employees' emoluments amounting to \$328,645 made between January to June 2003 were not remitted to the relevant collecting agencies.

(ii) *Internal Control Weaknesses*

Deficiencies were observed in the procurement process, as instances were identified where payments were made without the appropriate authorization and requisite supporting documents. Improvement was also still needed in the maintenance of the investment and receipt books records, and in the control over cash collected. It was recommended that appropriate action be taken to reduce the entity's exposure to losses or irregularities caused by these weaknesses.

NATIONAL COUNCIL ON DRUG ABUSE

121. An audit of the accounting records and financial transactions of the captioned Council for the year under review revealed the following shortcomings:

(i) *Overpayments*

Errors in retroactive salary calculations resulted in overpayments totalling \$1,152,060. The Council subsequently advised that \$201,774 had so far been recovered. An officer was also overpaid

travelling allowance of \$25,350. At the time of this report \$16,000 was recovered.

(ii) *Unauthorized Payment*

An officer was advanced gratuity of \$320,000 before it was due contrary to Ministry of Finance's guidelines. This represented premature disbursement of public funds which could expose the Government to loss.

(iii) *Non-deduction of Tax*

Emoluments totalling \$720,000 paid to an officer were not subjected to income tax as required by Section 5(1C) of the Income Tax Act.

PROFESSIONS SUPPLEMENTARY TO MEDICINE

122. An audit of the accounting records and financial transactions of the captioned entity for 2002/2003 disclosed a generally satisfactory state of affairs.

HEADS 5100, 5100A AND 5100B – MINISTRY OF AGRICULTURE

General Comment

123. The audits of the financial transactions and accounting records of the Ministry's Head Office and five of its agencies revealed improvements in certain areas. However, inadequacies persisted in others, including instances of internal control weakness and other breaches of the Government's financial rules.

Overpayment of Salaries

124. Eighteen (18) employees were overpaid salaries amounting to \$268,662. The Ministry was asked to effect recovery and improve the system of internal check over the payment of salaries.

Control Weaknesses

125. The furniture and equipment master inventory was not updated to reflect new acquisition or disposal of assets at the outstations. As a result, it did not include fixed assets purchased at a cost of \$191,317 for outstations during

2002/2003. This undermined the control over such assets. It was also noted that proper control was not exercised over the stationery stores.

Unpaid Tax on the Private Use of Assigned Government Vehicles

126. Two employees who were assigned government vehicles full time did not have tax amounting to \$44,758 deducted from their salaries as required by the income tax regulations.

Unaccounted for Vehicles

127. The whereabouts of two vehicles which were board of surveyed was not disclosed neither was any information provided as to how they were accounted for. Titles were seen for an additional seven vehicles which were not listed on the Ministry's inventory and were also not accounted for. Failure to account properly for these vehicles could result in loss of government assets. It was recommended that the inventory be properly updated and a full explanation given as to the whereabouts of the vehicles.

**RURAL AGRICULTURAL DEVELOPMENT
AUTHORITY (RADA)**

Outstanding Financial Statements

128. Up to the date of this report, the audited annual financial statements for the financial years 2001/2002 and 2002/2003 remained outstanding. Where financial statements are not current, it is difficult to determine the true financial status of an entity. It was recommended that steps be taken to expedite the completion and audit of these statements.

Overpayment of Salaries

129. Examination of retroactive salaries paid in August 2002 to five employees revealed overpayments amounting to \$49,155. Of this figure, \$19,995 had been recovered up to the date of this report.

St. James RADA Parish Office

130. At the St. James Parish Office, the audit revealed deficiency in the certification of payment vouchers, inadequate control over furniture and equipment and weaknesses in the control exercised over the stores.

Clarendon Parish Office

131. The Clarendon Parish Office reflected inadequate segregation of duties in store-keeping and in the accounts section. There were also inadequate supporting documents to allow verification of the persons who received benefits valued at \$69,146 under the Social and Economic Support Programme and the Food Relief Project.

Losses and Irregularities

132. The following losses and irregularities were reported by the Ministry.

(i) *Fisheries Division*

An officer assigned to the Port Royal Fisheries sub-station failed to lodge a total of \$110,626, being proceeds from the sale of outboard motor fuel to fishermen collected between the period July 30 and November 30, 2001. Additionally, the officer was said to have submitted fictitious bills totalling \$6,400 allegedly for taxi services. The officer was interdicted on half salary with effect from October 8, 2002. The Ministry subsequently recovered the full amount from the officer.

(ii) *Plant Quarantine Division*

Cash totalling \$72,207 was reportedly misappropriated by an officer at the Export Complex at the Norman Manley International Airport in October 2002. The officer was interdicted on quarter salary with effect from March 13, 2003. The incident was reported to the police.

(iii) *Rural Agricultural Development Authority (RADA)*

An officer assigned to the Eastern Agricultural Support Project (EJASP) allegedly misappropriated public funds amounting to \$180,275 and then abandoned his job after proceeding on four days vacation leave in January 2003. Surcharge action was recommended against three officers whose negligence was deemed to have contributed to this loss to the government.

(iii) *Agricultural Support Services Project*

Inadequate internal control at the Montpelier Pastor Research Station contributed to losses totalling \$460,533 over the period

June to November 2002. These resulted from overpayment in labour costs amounting to \$179,751 and payment of \$280,782 for fence posts and barbed wire which were not accounted for. Surcharge proceedings have been instituted against four officers deemed responsible for the loss.

COCOA INDUSTRY BOARD

133. A test check of the financial transactions and accounting records of the captioned entity revealed no evidence that the required Ministry of Finance approval was obtained for loans totalling \$5,456,760 and US\$25,000 raised by the Board.

JAMAICA 4-H CLUBS

134. An examination of the accounting records of the Jamaica 4-H Clubs for the year under review disclosed the following shortcomings:

(i) *Unaudited Financial Statements*

The annual financial statements for the periods ended March 1996 to March 1998 had to be returned unaudited because of the unavailability of the relevant accounting records and documents. Management indicated that attempts were being made to locate them.

(ii) *Unremitted Statutory Deductions*

Up to the date of this report statutory deductions totalling \$3,551,317 made from employees' emoluments during the months of October 2002 to March 2003 were not remitted to the respective collecting agencies. Lack of funds was stated as the reason for the delay in payment. This delinquency breached the relevant Acts and exposed the entity to possible legal sanctions.

(iii) *Bank Discrepancies*

The bank reconciliation statements disclosed numerous unresolved discrepancies dated from as far back as 1998. This included two outstanding lodgements purportedly made in May and August 2002 amounting to \$200,000. Management was advised to have these matters resolved at an early date.

JAMAICA VETERINARY BOARD

135. The audit of the financial transactions and accounting records of the Board for 2002/2003 revealed a generally satisfactory state of affairs.

HEADS 5200, 5200A & 5200B – MINISTRY OF COMMERCE, SCIENCE AND TECHNOLOGY

Outstanding Accounts

136 The captioned Ministry's Appropriation Accounts for 2002/2003 were not submitted for audit up to the date of this report.

Information Technology Employment Creation Project – Research and Development

137. An audit of the captioned programme disclosed the following areas of concern:

- (i) One hundred and twelve (112) computers were assigned to two private institutions to conduct training under the captioned programme. Among the conditions of the assignment was that the computers would remain the property of Government. At the time of audit, there was uncertainty as to the custody and plans for the future use of these computers. The Ministry was asked to provide this information.
- (ii) A company was paid \$14M to provide computer training for 700 prospective employees of a call center. However, a signed agreement was not seen, and information provided indicated that only 653 persons were trained. There was, however, no evidence that any of the money paid was refunded.

JAMAICA BUREAU OF STANDARDS

138. The audit of the Bureau of Standards for 2002/2003 disclosed the under-mentioned unsatisfactory features:

- (i) On September 18, 2002, a contract for \$750,000 was awarded for the development of a concept of a multi-purpose training and

conference facility. An additional payment of \$46,000 was subsequently made to conduct a feasibility market survey. Up to the date of this report there was no indication as to whether a decision had been taken to act on this concept.

- (ii) An attorney-at-law was paid amounts totalling \$6,242,095 to provide various legal services during the period February 3, 2001 to November 21, 2002. There was no evidence that a written contract existed and that the selection of the advisor was done on a competitive basis. It was therefore not possible to assess whether the services provided by the attorney were in keeping with the terms and conditions of the engagement and if the rates charged were competitive.
- (iii) A public relations firm was paid \$1M for which all the agreed deliverables were not provided. The Bureau was advised to have this matter rectified.
- (iv) *Overseas Travel*

There was no indication that overseas trips undertaken by the Bureau's representatives had received the required approval of the Ministry of Finance.

PETROLEUM CORPORATION OF JAMAICA LIMITED

139. A review of the financial transactions and accounting records of the captioned entity for 2002/2003 disclosed a generally satisfactory state of affairs. The few concerns raised were adequately addressed.

PETROLEUM COMPANY LIMITED

140. The financial transactions and accounting records of the captioned company for the year under review were found to be generally satisfactory. Steps were being taken to address the few internal control weaknesses noted. However, a payment of \$42,700 made on behalf of a client was not recovered up to the date of this report.

HEAD 5238 – OFFICE OF THE REGISTRAR OF COMPANIES

141. An audit of the financial transactions and accounting records of the captioned Agency for 2002/2003 revealed a generally satisfactory state of affairs. However, examination of the Appropriation Accounts for 2000/2001 and 2001/2002 disclosed that expenditure incurred exceeded the amounts authorized by Parliament by \$4,174,146 and \$16,459,883, respectively. This contravened Parliament's statutory authority to control public expenditure and will require Parliamentary ratification by way of Final Supplementary Estimates.

HEAD 5239 – POST AND TELECOMMUNICATIONS DEPARTMENT

Outstanding Financial Statements

142. The Appropriation Accounts and the Annual Revenue Statements for 2001/2002 and 2002/2003 remained outstanding at the time of this report in contravention of the Financial Administration and Audit Act.

Bank Reconciliation

143. The reconciliation of three bank accounts continued to be in serious arrears, which could facilitate and conceal errors and irregularities. It was noted that the Department has sought the assistance of the Ministry of Finance in resolving this problem.

Rental of Letter Boxes

144. The audit disclosed that six of the post offices visited had arrears of revenue totalling \$446,000 for 2001/2002 and 2002/2003 for the rental of letter boxes. It was recommended that appropriate steps be taken to recover the amounts overdue.

Inadequate Control of Telephones

145. There was need for more effective control to ensure that only the cost of authorized official telephone calls was met from public funds. The records revealed that for the period 18/12/2002 to 16/1/2003 unidentified calls costing \$96,290 were made through the switchboard mainly to cellular telephones.

Security Services

146. Payments totalling \$24,406,491 were made to two security companies during the period February 2001 to December 2002. However, no related formal agreement was presented and there was no indication that the companies were selected on the basis of competitive price quotations as required. The absence of a formal contract could leave the Department without recourse in the event of losses related to unsatisfactory performance of the companies. In addition, there was overpayment of \$81,167 which seemed to have resulted from the failure of the Department to properly compare invoices submitted by the security companies with the Departments' records. The Department was told to recover this amount.

FAIR TRADING COMMISSION

147. The audit of the financial transactions and accounting records for the Commission for 2002/2003 revealed a generally satisfactory state of affairs. The few concerns raised were adequately addressed.

HEADS 5800, 5800A AND 5800B – MINISTRY OF LAND AND ENVIRONMENT

General Comments

148. The audit of the Ministry of Land and Environment for 2002/2003 disclosed that the financial transactions for the year under review had been conducted in a generally satisfactory manner. However, improvement was needed in the maintenance of the furniture and equipment inventory records. Recommendations were made for appropriate corrective actions to be taken as this inadequacy could result in Government's assets not being safeguarded. Management indicated that corrective actions were being taken.

THE OFFICE OF DISASTER PREPAREDNESS AND EMERGENCY MANAGEMENT (ODPEM)

149. The audit of the captioned Agency for the year under review indicated a generally satisfactory state of affairs.

**NATIONAL ENVIRONMENT AND
PLANNING AGENCY**

150. The audit of the captioned Agency for the financial year 2002/2003 disclosed the following shortcomings:

(i) *Overpayments*

Fifty-one (51) employees were overpaid motor vehicle allowances amounting to \$2,301,040 because of incorrect calculation of the vacation leave portion of their redundancy payments. I was advised that \$409,162 of this amount had been recovered up to the date of this report. The required approval of the Ministry of Finance and Planning was also not presented for paying the higher rate of Government's fixed upkeep allowances to 12 employees.

(ii) *Unsubstantiated Payments*

The required supporting documents were not presented for 34 payments totalling \$1,118,439.

**LAND ADMINISTRATION AND MANAGEMENT
PROGRAMME**

151. The Land Administration and Management Programme, which is jointly funded by the Government of Jamaica and the Inter-American Development Bank, aims to establish a dynamic land market that promotes an efficient use of land resources. This is to be achieved through Land Registration, Public Land Management, Land Information Management and Land Use Planning and Development. The audit of the financial transactions and accounting records of the Programme for the period under review disclosed a generally satisfactory state of affairs.

HEAD 5847 – NATIONAL LAND AGENCY

Internal Control Weaknesses

152. Weaknesses were noted in the maintenance of the control records for furniture and equipment and motor vehicle advance debit cards.

Indebtedness for Tax on Private Use of Assigned Government Motor Vehicles

153. Income Tax of \$20,777 had not been deducted from the emoluments of two officers for the partial private use of motor vehicles assigned to them as required by the Income Tax Act. Recovery of this amount commenced in November 2003.

Overpayment of Salaries

154. Five officers were overpaid emoluments totalling \$156,750, as a result of the incorrect completion of overtime claim forms and inadequate internal checks. Up to the date of this report, an amount of \$38,250 had been recovered.

Losses and Irregularities

155. The Agency reported that several computers and other equipment costing \$516,872 were stolen. The matter was reported to the Police and new security measures were being implemented.

Outstanding Land Sale Balances

156. As at March 31, 2003, balances of \$26,972,971 remained outstanding for several parcels of land sold. These amounts were payable in exchange for duplicate certificates of title. It was disclosed that the Ministry was experiencing difficulties in producing these land titles because of the unavailability of financial resources to conduct the necessary surveys, and delays in obtaining the respective subdivision approvals.

Use of Leased Land

157. There was no indication that appropriate monitoring and review were undertaken to determine whether properties leased for specific purposes were being used for the intended purposes. Management was advised that this deficiency could undermine aspects of the Government's land policy.

**HEADS 6300, 6300A AND 6300B –
MINISTRY OF WATER AND HOUSING**

Outstanding Appropriation Accounts

158. The Appropriation Accounts for 2002/2003 were not received for examination up to the date of this report. This contravened Section 24(i) of the Financial Administration and Audit Act.

Motor Vehicle Repairs

159. Amounts totalling \$2.8M were spent by the Ministry to service and effect repairs to nine motor vehicles. The magnitude of the expenditure brought into question whether it was economical to operate some of these vehicles. It was subsequently disclosed that one of the relevant motor vehicles had since been disposed of and others were to be assessed as to their continued use by the Ministry of Finance and Planning's Board of Survey.

Suspected Irregularities

160. The Ministry reported two cases of suspected irregularities amounting to \$1,708,000 involving the sale of water under the Rapid Response Programme. Both cases were reported to the police. The Ministry also advised that the officers implicated had been separated from the Programme and the entire management cadre had been charged.

NATIONAL IRRIGATION COMMISSION

161. The audit of the National Irrigation Commission for 2002/2003 disclosed that the financial transactions were conducted in a generally satisfactory manner. However, up to the time of audit, amounts totalling \$247,331 were paid by the Commission for the rental of motor vehicles without evidence of the required approval of the Ministry of Finance and Planning. Management subsequently advised that the rental of the vehicles had ceased.

NATIONAL HOUSING DEVELOPMENT CORPORATION

162. An audit of the captioned Agency revealed the following areas of concern:

(i) *Operation Pride – Contracts*

There was no evidence that contracts with a combined value of \$2.25B entered into over the period February 1976 to June 2001 for eleven (11) housing solutions developed under the captioned programme were awarded through the stipulated competitive tendering process, recommendation of the Government's Contract Committee/National Contracts Commission and approved by the Cabinet. In most instances, there was also no evidence that NRCA/NEPA environmental approval was given before contracts were signed and/or work commenced on the projects. The Corporation was advised that failure to comply with the above-mentioned requirements could undermine the receipt of the best

value for money and may result in developments being done in environmentally unsuitable locations. The Corporation advised that since June 2002, there has been compliance with the Contractor General's requirements.

(ii) *Performance Bond*

There was no indication that either a Performance Bond or Bank Guarantee was provided, although provision for this was made in a contract valued at \$368M for the Retirement II housing project which was entered into in May 2001. This omission could put the Government's interest at risk if the contractor does not perform satisfactorily. The Corporation was told to have this situation rectified and ensure future compliance with all contract conditions.

(iii) *Non-remittance of Contractors' Levy*

There was no evidence that contractors' levy amounting to \$986,945 which was deducted from contract payments made were remitted to the Commissioner of Inland Revenue as required by law.

(v) *Submission of Audited Financial Statements*

Although the Corporation's annual financial statements up to 2001/2002 were audited there was no indication that such statements had been submitted to Parliament since its inception in 1998. This breached the requirements of the Financial Administration and Audit Act and the Public Bodies Management and Accountability Act 2001.

(iv) *Loans to a Private Organization*

Two loans totalling \$171.8M were disbursed by the Corporation to a Trust for the construction of infrastructure works at the Grotto and Toll Gate housing projects. The loans were secured by a mortgage on the Grotto property which was assessed to have a market value of \$264M and a forced sale value of \$198M. There was no evidence that the loans were being serviced and as at March 31, 2003 the principal and accrued interest stood at \$252.9M. As a result of the delinquency, the borrower was formally asked to immediately repay all the amounts outstanding. I was also advised that the Trust had agreed to provide NHDC with an undertaking to meet the shortfall in its total indebtedness by transferring to NHDC lots in its Blue Castle development in Westmoreland. As at the date of this report the outcome of this venture remained unclear.

HEADS 6500, 6500A & 6500B
MINISTRY OF TRANSPORT AND WORKS

163. The audit of the Ministry's financial transactions and accounting records for the year under review disclosed a generally satisfactory state of affairs.

HEAD 6550 – NATIONAL WORKS AGENCY

164. An audit of the financial transactions and accounting records of the National Works Agency for the year under review disclosed the following deficiencies:

(i) *Overpayments*

Five officers were overpaid salaries totalling \$75,226 due to inadequate internal checks. The Agency reported that \$18,931 had been recovered up to the date of this report.

(ii) *Unpresented Contracts*

Appropriate written terms and conditions of engagement of five security firms for the period under review were not presented for audit. I was therefore unable to determine all the rights and obligations of both parties and whether they were being complied with.

(iii) *Procurement Breaches*

Goods and services costing approximately \$2.6M were procured without evidence that the required competitive price quotations were obtained. It was also noted that payments totalling \$792,681 were supported by photocopied or pro-forma invoices. These transactions breached the Government's procurement guidelines aimed at ensuring economy and the avoidance of duplicated payments.

JAMAICA URBAN TRANSIT COMPANY

165. A test check of the accounting records and financial transactions of the Jamaica Urban Transit Company for 2002/2003 revealed the following unsatisfactory features:

(i) *Outstanding Financial Statements*

Up to the time of this report the audited financial statements for 2000/2001 and 2001/2002 were not available. This breached the requirements of the Public Bodies Management and Accountability Act and prevented a proper assessment of the Company's financial state of affairs.

(ii) *Emoluments*

(a) There was no evidence that the required approval by the Ministry of Finance of the emoluments paid to the staff had been obtained.

(b) Statutory deductions totalling \$19,430 were not made from the telephone allowance paid to two employees, as required by law.

(iii) *Unremitted Statutory Deductions*

Up to the time of audit Statutory Deductions, made from employees' emoluments over the period March 2001 to May 2003, amounting to \$988.4M, had not been remitted to the relevant agencies. This breach of the relevant Acts not only exposed the company to legal sanctions but could also adversely affect employees' entitlement to certain benefits.

(iv) *Security Services*

The records disclosed that the company paid \$52.76M to the Port Security Corps for security services for the year under review. There was, however, no evidence that a formal contract existed between the company and the Corps. This could lead to uncertainties as to rights and obligations in the event of any dispute.

(v) *Staff Loans*

Deficiencies were noted in the controls exercised over loans made to employees.

(vi) *Assigned Motor Vehicle*

At the time of my audit an ex-employee of the company was said to be still in possession of one of the company's motor vehicles. The company was advised to have the matter rectified expeditiously.

PORT SECURITY CORPS

166. A review of the financial transactions and accounting records of the Port Security Corps for the financial year 2002/2003 disclosed the following shortcomings:

(i) *Emoluments*

- (a) There was no evidence that the approval by the Ministry of Finance of the emoluments paid to employees had been obtained.
- (b) Statutory deductions totalling \$530,700 were not made from certain emoluments paid to employees, as required by law. It was recommended that amounts due be recovered and remitted to the relevant agencies.

(c) *Unremitted Statutory Deductions*

At the time of audit statutory deductions amounting to approximately \$62M made from employees' emoluments over the period 1998 to February 2003 were not remitted to the relevant authorities. This was in breach of the relevant Acts and could expose the Corps to penalties as well as adversely affect employee's entitlement to certain benefits.

(d) *Internal Control Weaknesses*

Deficiencies were noted in the controls exercised over the use of motor vehicle Advance Debit cards and loans to employees.

HEADS 7200, 7200A & 7200B – MINISTRY OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT

167. The audit of the Ministry for the year under review revealed a generally satisfactory state of affairs. The few weaknesses noted were being addressed.

NATIONAL SOLID WASTE MANAGEMENT PROGRAMME

168. The National Solid Waste Management Programme is jointly funded by the Government of Jamaica and the Inter-American Development Bank and is implemented by the Ministry of Local Government and Community Development. The main objectives of the Programme are to improve the environment and sanitary conditions of the solid waste sites in the Kingston Metropolitan area and other non-active sites around the country, as well as to develop an action plan for a countrywide Solid Waste Management Programme. The audit of the Programme for the financial year 2002/2003 revealed that the accounting records and financial transactions were generally satisfactory.

INSTITUTE OF SPORTS

169. An audit of the captioned agency for 2002/2003 disclosed the following unsatisfactory features:

(i) *Internal Control Weaknesses*

Weaknesses were noted in the maintenance of personal files; the preparation and payment of salaries; and lodgement of revenue. The entity was advised to take corrective action as failure to do so could result in errors and losses.

(ii) *Procurements*

Sports goods costing approximately \$6.4M were purchased from a supplier without evidence that the stipulated government guidelines, including the use of competitive price quotations, were followed. Appropriate records with the necessary cross references, were not presented to reflect how the items to be purchased were determined and how the goods acquired were accounted for. The company was told to ensure strict future adherence to government's procurement rules and to supply the outstanding information.

(iii) *Outstanding Statutory Deductions*

Statutory deductions of \$8,140,743 made from employees emoluments during the period April to October 2002 had not been remitted to the relevant agencies up to the date of this report. INSPORT advised that this was due to a shortfall in revenue as a result of repair work on the facilities. The entity was reminded that

the non-remittance of statutory deductions was not only in breach of the law but could deprive employees of certain benefits.

(iv) *Consultant*

A consultant was paid \$325,000 to assess tenders relating to the entity's insurance portfolio in 1999 and 2002. However, no contract or documentary evidence was presented to indicate the basis of selection, terms and conditions of engagement and whether the price charged was fair and reasonable. These omissions represented a breach of the Government's procurement policy and prevented an assessment of whether the best value for money spent was achieved.

JAMAICA FIRE BRIGADE

Statutory Deductions

170. As at March 31, 2003, statutory deductions from employees' emoluments totalling \$325.3M were not remitted to the relevant collecting agencies. The Brigade reported that this was due to cash flow problems. This breached the relevant Acts and exposed the entity to possible penalties.

Unapproved Post

171. An officer was appointed to act since October 2001 in a post for which no vacancy existed. This resulted in unauthorized payments of \$462,767 up to July 2003. The Brigade was informed to have the matter rectified.

SOCIAL DEVELOPMENT COMMISSION

172. The audit of the financial transactions and accounting records of the Social Development Commission for 2002/2003 disclosed the following deficiencies:

(i) *Unauthorized Emoluments*

The required approval of the Ministry of Finance and Planning was not seen for the emoluments paid to certain contract officers employed by the Commission. The Commission has since taken steps to obtain approval through its portfolio Ministry.

(ii) *Unremitted Statutory Deductions*

Up to the date of this report, income tax deducted from employees' emoluments during the months of August 2002 to March 2003 had not been remitted to the Collector of Taxes. The Commission advised that this was due to the budgetary shortfalls and that efforts were being made to remit, on a timely basis, current deductions.

(iii) *Breach of Contract Award Procedures*

The required use of competitive tenders and approval of the National Contracts Commission were not seen for payments of approximately \$8M made for construction work.

(iv) *Procurements from S.E.S.P. Fund*

The necessary original suppliers' invoices were not presented to support expenditure of \$4,239,397 from the S.E.S.P. Fund. Likewise, there was no evidence that competitive price quotations were used to select the suppliers. It could therefore not be determined if the best value was received for the money spent.

(v) *Fixed Asset Inventory*

A Fixed Asset Register was not in place. However, management had undertaken corrective measures and indicated that a draft register should be available by November 2003.

KINGSTON AND ST. ANDREW CORPORATION (KSAC)

173. The financial transactions and accounting records of the Corporation examined for the year under review disclosed a generally satisfactory state of affairs. The breaches of the financial instructions and internal control weaknesses identified were being addressed.

PARISH COUNCILS

174. The audits of the Parish Councils for 2002/2003 disclosed the following shortcomings:

(i) *Unremitted Statutory Deductions*

At the time of the audits substantial amounts for statutory deductions made from employees' emoluments at four councils had

not been remitted to the relevant collecting agencies for protracted periods. This involved \$19.13M for St. Thomas, \$7.5M for St. Mary, \$12.52M for St. James and \$5.57M for St. Elizabeth.

(ii) *Overpayment of Emoluments*

Salaries amounting to \$11.2M were overpaid to certain Councillors at the St. Catherine (\$8.6M), Clarendon (\$1.7M) and St. Ann (\$.9M) Parish Councils for periods when they were absent from Council meetings without the required approval. Recovery of these amounts had commenced. It was also noted that \$204,577 was overpaid to officers at the Portland (\$178,350), St. Catherine (\$22,875) and Clarendon (\$3,352) Parish Councils.

(iii) *Award of Contracts*

A number of instances were noted in which the award of contracts by the St. Catherine, St. Ann, Clarendon and St. James Councils, breached the Parochial Rates and Finance Rules in that there was no indication that the selection of contractors was based on competitive tenders or that the selected contractors were on the Councils' approved lists.

(iv) *Inadequate Control of Telephones*

Inadequate control over the use of the telephones was noted at the St. Ann, St. Thomas, St. James, Clarendon and St. Catherine Councils. This could facilitate abuse and the improper expenditure of public funds.

(v) *Inadequate Control of Assets*

The furniture and equipment inventory records were not faithfully maintained at the St. Ann, St. James, Clarendon and St. Catherine Parish Councils. This undermined the control over such assets.

(vi) *Outstanding Financial Statements*

Up to the date of this report the St. Thomas Parish Council's annual financial statements for 2000/2001, 2001/2002 and 2002/2003 had not been received for audit.

(vii) *Missing Computers*

Five computers with an estimated value of approximately \$429,000 were reported stolen from the St. Ann Parish Council in July 2003. The matter was reported to the police.

(viii) *Arrears of Bank Reconciliation*

At the time of audit reconciliation of certain bank accounts at the St. Thomas and St. Elizabeth Parish Councils was in serious arrears. This could cause errors and irregularities to go undetected for protracted periods.

(ix) *Unsubstantiated Payments*

At the St. Thomas Parish Council, appropriate supporting documents were not presented for payments totalling \$66,812.

ACKNOWLEDGEMENT

175. I take this opportunity to record my appreciation to Accounting Officers and their staff, and officers of Local Government agencies and other statutory bodies and government companies for the cooperation and courtesies extended to my staff and myself during the year 2003.

ADRIAN P. STRACHAN, CD, FCCA, FCA
AUDITOR GENERAL

10th December, 2003

APPENDIX "A"

OUTSTANDING APPROPRIATION ACCOUNTS
AS AT 5th DECEMBER 2003 IN RESPECT
OF FINANCIAL YEARS 2000/2001 TO 2002/2003

2000/2001

<i>HEADS</i>	<i>MINISTRIES/DEPARTMENTS</i>
2018	Public Debt Charges
2600	National Security and Justice
2600A	National Security and Justice
2600B	National Security and Justice
2624	Correctional Services
2630	Administrator General
6400	Environment and Housing
6400A	Environment and Housing
6400B	Environment and Housing
6437	Survey

2001/2002

2600	National Security
2600A	National Security
2600B	National Security
2622	Police Department
2624	Correctional Services

2800	Justice
2800A	Justice
2823	Court of Appeals
2825	Director of Public Prosecutions
2826	Family Courts
2826A	Family Courts
2827	Resident Magistrate's Courts
2828	Revenue Court
2829	Supreme Court
2830	Administrator General
2831	Attorney General
2832	Office of the Parliamentary Counsel
4000B	Labour and Social Security
5848	National Environment Planning Agency

2002/2003

0100	His Excellency the Governor General & Staff
0200	Houses of Parliament
1500	Office of the Prime Minister
1500A	Office of the Prime Minister
1500B	Office of the Prime Minister
1649	Management Institute for National Development

2011	Accountant General
2012	Customs Department
2015	Inland Revenue Department
2018	Public Debt Charges (Interest Payments)
2019	Pensions
2041	Taxpayer Audit and Assessment Department
2044	Tax Administration Services Department
2600	Ministry of National Security (formerly Ministry of National Security and Justice)
2600A	Ministry of National Security (formerly Ministry of National Security and Justice)
2600B	Ministry of National Security (formerly Ministry of National Security and Justice)
2622	Police Department
2624	Department of Correctional Services
2800	Ministry of Justice
2800A	Ministry of Justice
2800B	Ministry of Justice
2823	Court of Appeal
2825	Director of Public Prosecutions
2826	Family Courts
2827	Resident Magistrates' Courts
2828	Revenue Court
2829	Supreme Court

2830	Administrator General
2831	Attorney General
2832	Trustee in Bankruptcy
2833	Office of the Parliamentary Counsel
3000	Ministry of Foreign Affairs and Foreign Trade
4000	Ministry of Labour and Social Security
4000A	Ministry of Labour and Social Security
4000B	Ministry of Labour and Social Security
4100	Ministry of Education, Youth and Culture
4100A	Ministry of Education, Youth and Culture
4100B	Ministry of Education, Youth and Culture
4200	Ministry of Health
4200A	Ministry of Health
4200B	Ministry of Health
4220	Registrar General's Department and Island Record Office
4234	Bellevue Hospital
4235	Government Chemist
4251	Child Development Agency
5100	Ministry of Agriculture
5100A	Ministry of Agriculture
5100B	Ministry of Agriculture
5146	Forestry Department

5200	Ministry of Commerce, Science and Technology (formerly Ministry of Industry, Commerce and Technology)
5200A	Ministry of Commerce, Science and Technology (formerly Ministry of Industry, Commerce and Technology)
5200B	Ministry of Commerce, Science and Technology (formerly Ministry of Industry, Commerce and Technology)
5238	Registrar of Companies
5239	Post & Telecommunications Department
5500	Ministry of Mining and Energy
5500A	Ministry of Mining and Energy
5500B	Ministry of Mining and Energy
5847	National Land Agency
6300	Ministry of Water and Housing
6300A	Ministry of Water and Housing
6300B	Ministry of Water and Housing
6500	Ministry of Transport and Works
6500A	Ministry of Transport and Works
6500B	Ministry of Transport and Works
6550	National Works Agency

APPENDIX "B"

EXCESS ON VOTES NOT COVERED BY
PARLIAMETARY APPROVAL AS SHOWN BY
THE APPROPRIATION ACCOUNTS RECEIVED

1994/95

HEAD	MINISTRY/DEPARTMENT	EXCESS
18	Public Service & Environment	810,051.24
2600	Ministry of National Security	50,893,738.13
		<u>51,703,789.37</u>

1995/96

2600	National Security & Justice	4,004,491.59
2600B	National Security & Justice (Capital "B")	10,023,748.11
3000	Foreign Affairs and Foreign Trade	15,270,650.52
4200	Health	<u>40,819,084.38</u>
		<u>70,117,974.60</u>

1996/97

2014	Income Tax	3,002,590.79
2015	Inland Revenue	4,463,496.66
0600	Office of the Services Commissions	750,591.34
1510	Jamaica Information Service	2,237,050.74
2600B	National Security & Justice (Capital "B")	780,705.36
2622	Police Department	12,541,924.71
2627	Resident Magistrates' Courts	2,133,960.34
2629	Supreme Court	2,704,684.57
2730	Administrator General	212,330.98
2732	Bankruptcy	38,621.55
4000	Labour, Social Security & Sport	6,196,457.48
4200	Health	64,400,944.17
6000A	Public Utilities & Transport (Capital "A")	12,541,069.67
6000B	Public Utilities & Transport (Capital "B")	81,489,331.53
6400A	Environment & Housing (Capital "A")	26,119,082.56
7100A	Local Government & Works (Capital "A")	<u>6,278,696.03</u>
		<u>225,891,538.48</u>

1997/98

0100	His Excellency the Governor General & Staff	250,113.82
2019	Pensions	49,239,356.43
2627	Resident Magistrates Courts	3,454,036.79
2629	Supreme Court	6,094,910.47
2234	Bellevue Hospital	2,986,752.12
5500A	Mining and Energy	982,651.44
6000	Public Utilities & Transport	169,401,916.10
6000A	Public Utilities & Transport	25,891,123.67
6500	Transport and Works	25,576,503.35
7100	Local Government & Works	1,792,124.07
7100A	Local Government & Works	<u>62,478,692.10</u>
		<u>348,148,180.36</u>

1998/99

0100	His Excellency the Governor General & Staff	4,620.53
2000	Finance and Planning	46,877,096.15
2011	Accountant General	1,662,042.01
2012	Customs	19,862,421.26
2015	Inland Revenue	1,018,021.11
2600	National Security and Justice	23,182,220.00
2623	Court of Appeal	2,870,619.89
2626	Family Court	819,139.70
3000	Foreign Affairs and Trade	3,366,721.93
4100	Education and Culture	2,940,183.78
4200	Health	155,472,442.01
4200B	Health	90,622,171.35
5239	Post & Telecommunication	20,546,418.40
5238	Registrar of Companies	17,067.54
5500A	Mining and Energy	982,651.44
6500	Transport and Works	<u>2,557,603.35</u>
		<u>372,801,440.45</u>

1999/2000

1510	Jamaica Information Service	8,382,540.60
1640	Management Institute for National Development	9,500,964.00
2014	Income Tax	492,070.19
2013	General Consumption Tax	942,070.19
2600A	National Security and Justice	17,780,290.73

2622	Police Department	50,009,094.40
2627	Resident Magistrate Court	8,320,356.12
4100A	Education and Culture	4,993,907.85
4100B	Education and Culture	2,989,908.96
5400	Commerce and Technology	20,408.34
5400A	Commerce and Technology	230.00
5400B	Commerce and Technology	299.40
5500A	Mining and Energy	1,033,101.19
6400	Environment and Housing	5,977,619.24
6400A	Environment and Housing	7,516,657.19
6400B	Environment and Housing	4,591,537.26
6500	Transport and Works	7,869,536.46
		<u>130,420,592.12</u>

2000/2001

0600	Office of the Service Commission	294,147.00
1510	Jamaica Information Service	31,522.94
2015	Inland Revenue	174,497.29
2627	Resident Magistrate's Courts	563,840.95
3000	Ministry of Foreign Affairs and Trade	67,386,121.80
4100	Education and Culture	19,682,028.15
4200	Health	8,966,724.58
5200	Ministry of Industry and Commerce	2,981,233.85
5238	Registrar of Companies	5,284,809.00
5500	Mining and Energy	2,981,233.85
7200	Local Government, Youth and Community Development	<u>266,012,070.42</u>
		<u>374,358,229.83</u>

2001/2002

0200	Houses of Parliament	959,197.32
4234	Bellevue Hospital	10,411,705.43
5238	Office of the Registrar of Companies	16,459,883.00
7200	Local Government, Youth and Community Development	<u>50,344,549.31</u>
		<u>78,175,335.06</u>

2002/2003

7200	Local Government, Youth and Community Development	<u>83,097,643.50</u>
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