

# AUDITOR GENERAL'S REPORTS & MDA ACCOUNTABILITY ASSESSMENT

## 2010 - 2015



Final Report  
October 2016



# The Auditor General's Department MDA Assessment is the

product of the work of the Jamaica Civil Society Coalition (JCSC)  
and the Caribbean Vulnerable Communities Coalition (CVC).

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## COLLABORATORS

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Caribbean  
Vulnerable  
Communities  
Coalition

## WHO WE ARE

### THE JAMAICA CIVIL SOCIETY COALITION

Is a six year old non-partisan, non-discriminatory coalition of civil society groups and individuals. The Coalition was established to contribute to and foster dialogue across social sectors. It aims to build trust throughout the society, as well as a more open, transparent and broadly based political culture in Jamaica. We seek to encourage civil society participation in governance and the national decision-making process, to monitor government performance and encourage effective, accountable leadership in government and civil society.

We hold core principles of gender equality, democracy, transparency, respect for diversity and commitment to protection of the natural environment.

### THE CARIBBEAN VULNERABLE COMMUNITIES COALITION

Caribbean Vulnerable Communities Coalition (CVC) was established in 2004 and is headquartered in Jamaica. CVC is the Caribbean's largest indigenous regional coalition of civil society organizations and community leaders responding to HIV in key populations. Its work is distinguished by its human rights-based approach. CVC has grown since 2011 into a technical organization that provides programmatic and advocacy leadership for over 40 civil society organizations.

It is a coalition of community leaders and non-governmental agencies providing services directly to and on behalf of Caribbean populations who are especially vulnerable to HIV infection or who are often forgotten in access to treatment and healthcare programmes.



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- Ms. Hillary Alexander - Ministry of Science, Energy and Technology
- Dr. Elaine Foster-Allen - then Office of the Prime Minister
- Mr. Devon Rowe - then Office of the Financial Secretary, Ministry of Finance
- Mr. Robert Buddan - Ministry of Industry, Commerce, Agriculture & Fisheries
- Mr. Paul Pennicook - Director of Tourism

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## ACRONYMS

ACG	Attorney General's Chambers
AG	Auditor General
AuGD	Auditor General's Department
ATI	Access to Information
CSO	Civil Society Coalition
FAA	Financial Administration and Audit
FSec	Financial Secretary
GOJ	Government of Jamaica
MOF	Ministry of Finance & the Public Services
MDA	Ministries Departments & Agencies
MP	Member of Parliament
OSC	Office of the Services Commission
PAC	Public Accounts Committee
PAAC	Public Administration and Appropriations Committee
PB	Public Bodies
PBMA	Public Bodies Management & Accountability
PFM	Public Financial Management
PSec	Permanent Secretary
SAI	Supreme Audit Institution
VFM	Value for Money

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## 1. EXECUTIVE SUMMARY

**Purpose:** This report focuses primarily on the Auditor General's Department, its work, the support it receives from the wider accountability environment and the level of responsiveness from other public officials (especially the Public Accounts Committee). The report looks at the crucial question of sanctions - who has the authority to sanction, what sanctions are available and are they being used.

The research was undertaken against the background of decades long, public cries of concern for the lack of accountability, repeated reports of waste and public perception of corruption. As coalitions of civil society groups, both the Jamaica Civil Society Coalition and the Caribbean Vulnerable Communities Coalition desired a fuller understanding of Jamaica's accountability environment and if and how the public can strengthen the work



of the Auditor General. Shedding further light on the auditor general's findings and the state of governance as well as building understanding of the accountability framework in order to better use it are main goals of the research.

**Method:** 41 audit reports were reviewed to identify egregious breaches categorised as follows: Non-compliance with government rules and policies (in particular procurement), human

resource administration and demonstrable poor governance decisions. Using the Access to Information Act twenty two (22) government institutions were asked to produce documentation to support what corrective measures were taken after the Auditor General's report to ameliorate the concerns. Only nine (9) responded.

Interviews were conducted with representatives of the different institutions that form a part of the Government's accountability framework and desktop research was done to identify examples of 'best practices from other countries that involve supporting the work of national supreme audit institutions.

**FINDINGS:** The Auditor Generals' reports span a wide cross section of MDAs and identify a litany of various breaches. Waste, inefficiency and gross non-compliance are not confined to any particular sector or certain public institutions, rather they are pervasive and are committed through the length and breadth of government. Notwithstanding, three institutions that stood out among the rest (quantitatively and qualitatively) for number of breaches, recurring breaches and egregious nature of the breaches were the Ministry of Labour & Social Security, Ministry of Health and Ministry of Education.

Breach (2009-1)	Amount (\$)
Over Payments*	65,442,328
Unsupported Payments	457,223,621
Unapproved Payments	247,259,983
Unremitted Deductions	10,676,147
Reported Losses, Fraud	5,395,204,237
<b>Grand Total</b>	<b>6,292,093,184</b>

\*Of which \$7,000,978 was recovered

By way of example, over the span of three financial years (2009/10 to 2011/12) the AG's reports tallied a total of **\$6.292 Billion** constituting waste, losses, unsupported payments, etc. as outlined in the table below.

Of the 9 institutions (41%) that responded to requests for information, the majority of the concerns were found

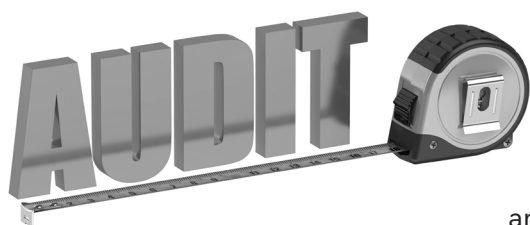
to have been fully remedied or were in the process of being remedied. However, in the absence of responses from 13 entities (59%) it is not unreasonable to proffer that the non-response can be attributed to the level of the inattention they have paid to the concerns highlighted.

Regarding the power to sanction, we determined that it rests primarily in the posts of the permanent secretaries and the financial secretary at the Ministry of Finance & the Public Service. A number of sanctions are available ranging from repayment of monies (surcharge), fines, suspension without pay, withholding of salary increases, reduction in rank and dismissal. There was little evidence to support that

these sanctions were being actively used to encourage judicious use of government assets. None of the legislation governing accountability and performance speak to imprisonment. Surcharges, as currently utilised, are not proving to be a significant or practicable deterrent

to maladministration and malfeasance. Notwithstanding, the need for reinforcement of existing legislation, there are provisions under the new corporate management framework that allow for more effective holding to account.

The research identified a number of accountability gaps. For example, the Public Bodies Management Accountability Act lacks clarity on who is empowered to sanction. The House



of Representatives does not review and discuss the annual findings and recommendations of their oversight committee (Public Accounts Committee) whom they have mandated to examine the auditor generals report. This gap also extends to the Cabinet, (the executive) as it does not receive a report from the Parliament on which to base policy decisions that could mitigate against the practices that lead to waste, corruption and inefficiency.

As is the case in other jurisdictions, the members of the Public Accounts Committee do not have power to sanction public officials. We concluded however, that the Committee could but does not sufficiently exercise the option to refer matters for further investigation to other watch dog agencies that are empowered to investigate and sanction if necessary.

Examples of breaches extracted from Annual Reports 2010-2015 are outlined below to provide an appreciation for the types of concerns that are detailed in this report and that proliferate several ministries, departments and agencies of government.

AUGD FINDINGS		DESCRIPTION
<b>1</b>	<b>Non-Compliance</b>	Where agents acting on behalf of the State fail to adhere to set rules, policies and regulations
<b>2014 - National Water Commission:</b> The National Water Commission (NWC) established a Unit to manage the K-Factor programme. The Office of Utility Regulations (OUR) agreed that the NWC would cover the administrative costs. NWC without the OUR's approval instituted a <b>supervision cost of 8.5%</b> of project costs and transferred <b>\$1.08 billion</b> to NWC's operational bank accounts. The NWC failed to produce evidence that this charge was made known to the OUR. The AuGD also noted that the expenditure for the K-Factor Unit 2013/14 amounted to only <b>M\$72</b> .		
<b>2013 - Universal Access Fund:</b> The AuGD found no evidence to support an approval for advances totalling <b>US\$78.415 million</b> made from the Universal Service Fund in 2009 for public debt payments. Despite requests the AuGD was not provided with the requisite approval for the transfer of <b>US\$60.09 million</b> .		
<b>Poor scholarship bond agreements:</b> <ul style="list-style-type: none"> <li>▶ <b>2011 Ministry of Finance</b> - At March 31, 2011, beneficiaries who failed to honour their bond agreement, owed the Government <b>JMD\$36.8M, CAD\$198,557, USD\$176,340 and GBP£36,371</b>. Management was tardy in referring delinquent cases to the Attorney General</li> <li>▶ <b>2012 Ministry of Education</b> - At March 31, 2012, <b>212 teachers</b> owed the Government <b>\$410 million</b> because they have not honoured their bond agreements.</li> <li>▶ <b>2012 CHASE Fund</b> - 2007/08 to 2011/12, a total of 87 awardees received scholarship assistance amounting to <b>\$127.6 million</b> for which no bonding agreements were executed.</li> </ul>		
<b>2</b>	<b>Procurement Breaches</b>	A specific area of non-compliance where agents acting on behalf of the State fail to adhere to the GoJ Handbook of Procurement.
<b>2011 - Tax Administration of Jamaica</b> - Despite being the subject of previous audit reports, formal contracts with 5 companies were not presented to the AuGD when requested for inspection. The companies were paid a total of <b>\$142M</b> . Neither Cabinet's approval nor the National Contracts Committee's approval was obtained for a <b>\$60.6M</b> contract awarded for armoured services.		



<b>2012 - Ministry of Education:</b> The Ministry did not present the relevant Cabinet approvals for the procurement of textbooks from two suppliers, which totalled <b>£1.1 million</b> . The contract for one of the suppliers was not presented.		
<b>2015 - Ministry of Health:</b> Despite requests, the AuGD was not presented with the contracts to support the payment for security and catering services costing <b>\$699,240.66</b> and <b>\$20,618,939.58</b> , respectively.		
<b>3</b>	Human Resource Infractions	Where improper payments or emoluments are made to agents acting on behalf of the State
<b>2011 - Ministry of Finance</b> - An Executive Secretary was overpaid \$170,100 for commuted traveling allowance from January to December 2010 despite a Ministry's driver was paid overtime to transport her to and from work. Management was asked to recover the amount.		
<b>2015 - Early Childhood Commission &amp; the Early Childhood Development Project:</b> The Commission continued subsidy payments to early childhood practitioners who had separated from various early childhood institutions. This resulted in over-payments totalling <b>\$21,663,190.95</b> , of which \$10,360,229.87 occurred in the current period 2014/2015. Only \$4.26 M recovered.		
<b>2015 - Ministry of Labour &amp; Social Security:</b> Jamaica Liaison Services Ltd did not present formal authority for paying gratuity for a full year to an officer whose services was terminated within nine months of completing the contract. To compound the issue, the Officer was paid gratuity at a rate of 25% instead of the MoFP approved rate of 12.5%.		
<b>4</b>	Poor Governance	Where no stated or set policies, rules or regulations exist and agents acting on behalf of the State abuse that policy gap.
<b>2010 - Ministry of Labour &amp; Social Security:</b> Up to October 2010, the PBX voice related feature which was acquired for use at the Ministry's head office in 2007/2008 at a cost of <b>US\$13,000</b> was still not activated. To date, the Ministry has not benefited from this expenditure. It was again recommended that measures be implemented to prevent abuse of the telephone facilities.		
<b>2013 Annual Report - Ministry of Health:</b> The absence of a Ministry of Health strategy and its guidance has resulted in variable purchasing arrangements for pharmaceuticals. Three Health Regions namely; the South East, North East and Western Regional Health Authority, opted to purchase prescription drugs valued at a total of <b>\$796 million</b> , from private suppliers rather than the Government owned company Health Corporation Limited. Consequently, the Ministry failed to realise possible savings of approximately <b>\$202 million</b> on the acquisition of these drugs.		
<b>2013 Annual Report - Agri Investment Corporation:</b> The AuGD found that a contract of employment of one of the signatories to an account ended in February 2009. However, during the period July 2009 to November 2011, the individual was a signatory to <b>91 cheques valuing \$112 million</b> and signed documents authorising the encashment of investments amounting to <b>\$56.6 million</b> during the period March 2009 to November 2011.		
<b>2015 Annual Report - Jamaica Tourist Board:</b> The AuGD found that the JTB had paid <b>J\$4.07 billion</b> to three marketing and public relation service providers to promote the country as a tourist destination over the period 2012-2015. JTB however, did not require all agencies to submit annual plans. The AG opined that this would compromise JTB's ability to examine and influence the marketing strategy of these agencies in a structured manner.		





*“This is not a political statement, but everybody thinks that taxpayer’s money is free money.*

*It’s a culture that has to change.”*

PAC Chair  
October 11, 2016

**RECOMMENDATIONS:** The key recommendations were generated by the gaps found in the ‘accountability chain’ and can be summarised to include:-

- ☑ Greater information sharing of the findings of the Auditor General’s reports with other ‘watchdog agencies’ of government.
- ☑ Moving beyond the mere tabling of the Public Accounts Committee annual report to scheduling review and debate in the House and the submission of the Parliament’s decisions to the Cabinet for execution.
- ☑ Incorporating government entities such as the Central Bank within the remit of the Auditor General.
- ☑ Tracking the progress of delinquent agencies via an online database that records the breach and the remedial measures taken (or not) by the entities to correct same.
- ☑ Widening the witnesses that can be summoned to the Public Accounts Committee to include Ministers of Government.
- ☑ Devising a mechanism to better hold the Financial Secretary to account should he/she fail to act under the provisions of the law to sanction public servants who are in breach of government rules, guidelines and policies.
- ☑ Reviewing and amending the legislation that governs the public bodies to ensure a clear line of sight between a breach on the part of the a public official and holding them to account.
- ☑ Improving the resource base of the Public Accountability Inspectorate of the Ministry of Finance to resume its mandate to shore up the work of the Auditor General in monitoring agencies who have been audited and found to be in breach.
- ☑ The Auditor General’s Department actively engaging CSOs to jointly establish mechanisms that accommodate the interest and expertise of citizens and CSOs to reinforce the work of the Auditor General and improve accountability in government.



## 2

## 2. INTRODUCTION

### 2.1 BACKGROUND

Research done by the Jamaica Civil Society Coalition and the Caribbean Vulnerable Communities Coalition shows that many civil society organisations (CSOs) in Jamaica experience restricted ability to conduct the research required for policy critique and the articulation of CSO policy positions and therefore want to improve their capacity. This has resulted in a joint JCSC/CVC project funded by the European Union entitled the Improved Civil Society Capacity for Research-Based Advocacy Project which began in January 2016.

It is building civil society capacity to research, monitor and advocate on a range of issues relevant to good governance, democracy and respect for human rights. The project targets key audiences such as policy makers, civil society organisations serving vulnerable populations and media, extending to the wider public.

A key undertaking of the project is research of which this report is the first output.

## 2.2 THE RESEARCH FOCUS

The mandate of the Auditor General Department (AuGD) includes ensuring “*that public sector financial transactions and other operations comply with the wishes of Parliament, relevant laws and regulations, and are conducted with due regard to economy, efficiency, effectiveness, the environment and the avoidance of fraud*”. To that end, the AG (Auditor General) undertakes audits of various Ministries, Department, Agencies (MDAs) of central government, as well as public and statutory bodies. Reports on their findings and recommendations are generated and submitted to the Parliament for appropriate actions, that are designed to ultimately improve the delivery of public goods and services.

Despite decades of exposure of a number of egregious breaches of government’s own rules and regulations that are committed by state actors, there appeared to be no significant reduction to the nature and number of infractions. Hence, the questions that were the focus of the research and its findings included:-

- What happens to the Auditor General’s report after it is submitted to the Parliament and its Public Accounts Committee?
- Who is responsible for holding public officials responsible for the breaches identified?
- What are the sanctions available to accounting and responsible officers?
- Are these sanctions and penalties being utilised?
- Are there any particular institutions of government where these breaches are more prevalent than others?
- Where are the identifiable areas of weakness or gaps that need to be closed?
- What can citizens and civil society organisations do to close those gaps?

## 2.3 GOAL OF PROJECT

The goal of this research was to determine how civil society advocacy can support and increase the effectiveness of the mission of the Auditor General’s Department to ensure that public sector financial operations comply with the relevant laws and regulations and are carried out efficiently, effectively and with economy.

## 2.4 STRUCTURE OF THE REPORT

This report is organised into five sections that examine the wider context of public financial management within which the AG's work falls; the bodies empowered with oversight responsibilities and the sanctions available; the nature of breaches being committed by audited MDAs and their responsiveness to the recommendations of the AG. Finally, the report makes recommendations as to how citizens and CSOs can help to enhance accountability in Jamaica.

## 2.5 METHODOLOGY

A comprehensive review was done of forty-one (41) AG reports spanning six financial years, 2010/11 - 2015/16, to identify egregious breaches and the institutions associated with them.

Access to information requests were submitted to 22 government institutions asking for a status update on their response to the AG's concerns and recommendations.

Relevant legislation was reviewed and primary data collected via meetings with several stakeholders. These reviews and data served to chart the governance framework that was designed to support the work of the AG, following the tabling of the audit reports in the House of Parliament.

The study depended on two primary instruments: interviews, which used open-ended questions and desk research.

*Mr. Chairman, what keeps recurring here is that very little attention is paid to the report from the Auditor General until such reporting officer had to come here. This Committee is treated with little respect and concern....because there is no teeth in this place, they believe that nothing can be done.*

PAC Member ~ June 24, 2011 Jamaica Hansard

## 3

## 3. DEFINING THE TERMS & PROCESSES

### 3.1 ACCOUNTABILITY

#### What is Accountability?

Accountability derives from the need to accomplish certain tasks and in so doing there is a reliance on delegation of duties, in order to distribute the tasks among others. Those that are entrusted with these duties must be required, on completion, to give an account of the actions they took and the results obtained.

The act of holding someone accountable can be divided into two. **‘Calling to account’** occurs first and that entails someone providing an explanation of what has been done or not done, and why. **‘Holding to account’** (being sanctioned or penalised) requires that one put remedial measures in place, if the outcome is contrary to what is desired, required or planned.



#### Mechanisms for Accountability

The Parliament is the ultimate arena for attention and action with respect to the auditor general's reports. It is supported by its sub-committee, the Public Accounts Committee (PAC) through to the Cabinet, and down to the Ministries involved. The Ministry of Finance has a particularly important role through to the Permanent Secretaries and Chief Executive Officers of the respective government Ministries Department and Agencies (MDAs).

### 3.2 HUMAN RIGHTS AND ACCOUNTABILITY

The United Nations Human Rights Council in its Resolution 7/11 emphasises the *“importance of a conducive environment, at both the national and the international levels, for the full enjoyment of human rights and fundamental freedoms and of the mutually reinforcing relationship between good governance and human rights”*. It went further to say, that *“transparent, responsible, **accountable** and participatory government, responsive to the needs and aspirations of the people is the foundation on which good governance rests and that such a foundation is an **indispensable condition** for the full realization of human rights, including the right to development.”* These are the ideas that underpin and reinforce the need for this research - good governance and upholding the rights of each Jamaican.

### 3.3 TYPES OF AUDITS CONDUCTED BY THE AUDITOR GENERAL

The AuGD conducts various types of audits over the course of a parliamentary year. Below are descriptions of the different types of audits into the operations of central government's ministries and departments, selected statutory bodies and government companies. A comprehensive audit framework requires that all audits be combined to provide a complete overview of public financial management.

If requested, the Auditor General's Department also provides professional auditing services to public bodies for a fee. These monies assist in offsetting the budgetary support provided by government.

#### Assurance Audits

**FINANCIAL STATEMENTS AUDITS:** Financial statement audits are undertaken to express an opinion indicating that reasonable assurance was achieved, that the financial statements presented by management are free from material misstatement, in all material respects, and that they are presented in accordance with



the applicable financial reporting framework.<sup>1</sup> So the financial statements of Executive Agencies, Parish Councils and Statutory Bodies are audited in order to express an opinion as to whether they “reflect a true and fair view”. **These are to be done on a yearly basis.**

**COMPLIANCE AUDITS:** Compliance audits assess whether funds were used for the purposes for which they were approved and if they were used in compliance with relevant laws and regulations. They enable the Auditor General to arrive at a conclusion on the extent to which the entity followed rules, laws, regulation, budgetary resolutions, policy, established codes, or the terms of a contract. In essence, the audits involve an assessment of the degree to which the entity is accountable for its actions and exercises good public governance.

**APPROPRIATION ACCOUNTS:** Appropriation Accounts are the accounts reflecting the Government's expenditure in a financial year compared against the amounts approved by Parliament for each MDA. It is an aid for the Parliament to ascertain the performance of Government against the budgeted provisions. **These are to be done on a yearly basis.**

<sup>1</sup> The Public Bodies Management and Accountability (PBMA) Act, requires that annual reports and audited financial statements of all Public Bodies be tabled annually in the House of Representatives.



*“We can’t have the repetition of this kind happening every year. You read the three reports, it just continues in department after department. And if you were to add it up – you will know that you cannot run your business like that. I couldn’t run mine like that.”*

PAC Member  
Feb 5, 2008

## Performance (Value for Money) Audits

Performance audits are designed by the AuGD to assess how well an entity is executing its mandate or managing their operations to ensure they achieve cost effectiveness (economy), operational efficiency and effectiveness of programmes and projects in achieving their objectives. The aim is to improve business processes, reduce waste, enhance governance structures and assess whether GoJ is obtaining commensurate value for its investment in the entity. The audits are selected based on materiality of the amounts stated in the budget and the significance of the subject to the Parliament and taxpayers.

## Special Audits

These emerge out of information received from stakeholders - the Office of the Cabinet, Minister of Finance and the Public Service and the Public Accounts Committee, as well as concerned citizens. They are initiated where fraud and misuse of public funds are suspected during the course of conducting a financial audit. It is difficult to plan for these audits, as often, the requests are made as the need arises and can be undertaken at any time during the audit year. The reports from these audits are separated from the financial audit report and the comprehensive annual reports.

## Information Technology Audits

A growing share of the delivery of public goods and services is being enhanced through the use of information technology (IT). These audits are an examination of an organisation’s IT infrastructure, systems, policies and operations. The audits will therefore:-

- ☑ Evaluate the security of controls and the reliability of data from IT systems which have an impact on the delivery of the entity’s objectives
- ☑ Ascertain the level of compliance with applicable laws, policies and standards in relation to IT.
- ☑ Check for instances of excess, extravagance and waste in the procurement, use and management of IT systems.



## Activity Based Audits

These audits are conducted using an ‘Activity-based’ design which is a performance audit undertaken on a smaller scale and with specific emphasis on areas of highest risk. The intention is to allow for the examination of the control systems implemented by management to guarantee the achievement of its overarching objective or mandate. They involve an examination of an entity’s **core activity** to ascertain whether management has implemented a robust system of control, to guarantee the achievement of its overarching objective or mandate.

Table #1 Breakdown of AuGD Reports 2009-2015

	AUDIT TYPE	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1	Special	4	4	-	-	-	-
2	Performance	5	1	3	2	4	4
3	Activity Based	n/a	n/a	19	19	19	12
4	Info Technology	3	2	-	-	-	-
5	Compliance	No data	149	98	No data	47	67
6	Financial Statements	No data	113	97	103	144	165
7	Appropriation Accounts	No data	24	59	64	128	38



The Auditor General’s reports always get big headline. The newspaper always says it is “tabled in Parliament”. What does that mean? What really happens to it, when it reaches Gordon House?

## 3.4 TRACKING THE JOURNEY OF THE AUDITOR GENERAL’S REPORT

### Tabling a document on the floor of the House

Tabling is the presentation of a document to the Members of Parliament for consideration and is a part of almost every sitting of the House of Representatives. It is also referred to as “laying documents before the House”. According to Section 122 of the Constitution,

the AG is to submit the annual report to the Speaker of the House “*who shall cause these reports to be laid before the House of Representatives*”. **All tabled or laid documents, are automatically permissible for public viewing.** The Clerk of the House is responsible for recording, indexing and archiving tabled documents. A list of papers tabled in the House can be accessed on the Parliament House website at: [www.japarliament.gov.jm](http://www.japarliament.gov.jm) or via hard copy through the Parliament’s library.

### 3.5 THE PUBLIC ACCOUNTS COMMITTEE’S PROCESS

At the beginning of the parliamentary year, the Auditor General, the Chairman of the PAC and the Clerk of the Committee set the schedule and identify which entities will be summoned to give account. \*Previously almost all agencies audited would appear before the PAC. Out of a need to prioritise, current appearances before the Committee are *primarily but not solely* based on identifying MDAs which failed to respond or satisfactorily respond to the concerns highlighted by the AG.

When scheduled, PAC sittings convene on Tuesdays in the main chamber of the House between the hours of 10am and 1pm. They are all open to the public who may view the proceedings from the Parliament’s gallery. An average of 6 meetings are held each year.

During the hearings, committee members direct questions to the Permanent Secretary and the management team to determine what led to the breaches identified, what corrective steps the MDA had taken since advised of the breach and to establish how the MDA plans to achieve full compliance with Government rules and regulations.

All sittings of the House, are transcribed by parliamentary steno writers and are to be documented verbatim. These records are called the Jamaica Hansard and are available through the House of Parliament for public viewing and/or copying.

Table #2

#### PAC Hearings

Year	No.
2015/16	5
2014/15	8
2013/14	6
2012/13	14
2011/12	11
2010/11	31*



# Audit Report Scrapbook

FROM THE AUDITOR GENERAL'S REPORT (12)

## NO ACCOUNTS EVER FROM REGIONAL HOSPITAL BOARDS

"The unavailability of the accounts and the delay in arriving at the records and preparing financial statements were among the findings made by the Auditor-General in his 1976 Report with reference to the Ministry of Health."

### 1978

1834-1984/150 YEARS

KINGSTON, JAMAICA, WEDNESDAY, FEBRUARY 12, 1984

## Auditor-General dissatisfied with national accounts

SERIOUS DELAY IN the submission of Appropriation Accounts and chronic arrears in the maintenance of accounting records and submission of monthly financial statements are among major findings made by the Auditor-General in his report on the island's national accounts for the financial year 1982-83.

Auditor General's report reveals

## Ministries guilty of poor financial control

Failure to comply with financial instructions and other specified procedures has resulted in continuing unsatisfactory control in many ministries and departments of Government, the Auditor-General said in his report tabled in the House of Representatives on Tuesday.

2001

These failures were most prominent in the purchase of furniture and equipment, disposal of surplus assets, internal controls and planning.

The Auditor-General said that audits disclosed large gaps in the financial management of the Government, particularly the Canadian Farm Work Programme audit.

## Auditor Gen. discovers unsatisfactory features

MR. Adrian Strachan, Auditor-General, has suggested measures to improve the financial management of the Government, particularly the Canadian Farm Work Programme.

The Auditor-General's report for the financial year ending March 31, 1989, states that the programme was audited and several "unsatisfactory features" were discovered.

No audit of the programme had been conducted between 1980 and 1983, and no annual financial statements had been prepared and submitted for many years and no information received for the year ending 1988-89.

The report also stated that the programme had been audited and several "unsatisfactory features" were discovered.

1990

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## Bonus Breaches And Gracious Gratitudes ... Auditor General Raps Port Authority

2016

Published: Tuesday | July 26, 2016 | 5:20 PM

## Private-sector groups want sanctions for JDIP breaches

Edmond Campbell  
Senior Staff Reporter

2011

FIVE POWERFUL private-sector representatives on the Partnership for Transformation, are appalled by the contents of the Auditor General's 'Special Audit Report of the Jamaica Development Infrastructure Programme (JDIP)'.

According to the private-sector groups, "Given the fiscal challenges that the country will face over the coming months, and the sacrifices that a broad cross section of Jamaicans will no doubt be called upon to make, it is simply unacceptable that a major project of the scope and cost of JDIP should be allowed to proceed without first correcting the deficiencies in management identified by the auditor general."

The private-sector bodies are urging the

## Grim conditions at Bellevue

Neglect, demoralization, petty corruption cited

THE Auditor-General's report on Bellevue Hospital has revealed that grim conditions exist at that institution. There were allegations of neglect, demoralization and possibly petty corruption.

On several occasions, goods were over-supplied or items not delivered, the auditor said.

A Procurement Committee, the effectiveness of which was called into question, was set up to determine the need for supplies, and the hospital administration was criticised for not taking any action to correct the situation.

The report also stated that the hospital administration was criticised for not taking any action to correct the situation.

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A lot of money, he said, was

## Auditor-General's report tabled in House; financial irregularities, losses shown

The report of the Auditor-General for the financial year ended March 31, 1968, was tabled in the House last week. It is concerned with the transactions of the various departments of Government for that financial year but also refers to transactions of previous years and of the current financial year.

The Auditor-General also criticised the accounting system of the Ministry of Education. He states that before now Government services are implemented in a haphazard manner and that the Ministry of Education should be given the immediate establishment of adequate consulting arrangements.

Failure to observe this made it possible for an officer of the Ministry of Education to come to the attention of the Auditor-General for mismanagement of funds.

Weaknesses

He said that an overstatement of two of the larger Ministry of Education accounts

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What is of greater concern, however, is the apparent departure from the proper procedure cited by the Auditor-General. His report



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## Housing Agency of Jamaica - Audit Snapshot

Extracted from the Gleaner Archives

**1979:** Sites and Services Division of the Ministry of Housing.\* Auditor General's report indicated serious deficiencies in the *award of contracts, accounting controls and control of cost overruns*. The matter was put to the Public Accounts Committee on the 13th of November 1979.

**2002:** National Housing Development Corporation [NHDC] was investigated by a Commission in response to allegations of corruption and multi-million dollar cost overruns. Dubbed the "Angus Report", it had identified at least **\$1.3Billion** in wasted funds.

**2004:** NHDC failed to provide the Auditor General with evidence that contracts totaling **\$2.25Billion** entered into between Feb 1996 and June 2001 for

11 housing projects were awarded through a competitive process. Neither Cabinet's approval nor that of the National Contracts Commission could be provided. *Surcharge was recommended by the Ministry's representative.*

**2006:** Audited reports of the NHDC revealed unapproved use of credit cards by the former Chairman. MOF described it as illegal and a breach of the credit card guidelines. **\$314,000** was accumulated in 8 months with the AG having no access to the record of the purchases.

**2013:** Housing Agency of Jamaica [HAJ] is burdened with a \$300M operating deficit, while saddled by a **\$1Billion** accounts payable. PAC demanded a full statement on their plan to recover.

### To PRESENT:

**2015:** HAJ entered into a **\$8.6Billion** contract without a feasibility study or completed designs. The project was re-scoped without Cabinet's approval. Projects suffered long delays and overruns of **\$519M**. Of the 3,306 housing solutions to be delivered, only 70 of the 937 units were completed and only 1,980 of 2,517 serviced lots. **Notwithstanding the project's incompleteness, ALL FUNDS were already paid over to the Contractor.**

\*The Sites and Services Division of the Ministry of Housing evolved into the HAJ, and was re-branded with different names over the years.



## 4

## 4. FINDINGS - MDA'S RESPONSIVENESS

### 4.1 DATA ANALYSIS

All the Annual, Special, Performance and Information Technology Reports submitted by the AuGD and tabled in the Parliament spanning a 6 year period between the years 2010-2015 were reviewed. [\[See Appendix 1 \]](#)

Forty-one reports were reviewed. The scope of the research was then limited based on a subjective assessment of the egregiousness of the breaches. This subjective assessment was done based on the level of disregard for rules and regulations combined with the quantitative dollar value of the breach, if identified.

The primary breaches that are flagged in the AuGD's reports are as follows:-

- ⦿ Unrecorded Assets
- ⦿ Improper Payments
- ⦿ Procurement Breaches
- ⦿ Nugatory (Wasteful) Expenditure
- ⦿ Unreported or Reported Losses
- ⦿ Spending Outside of Budget
- ⦿ Unsupported Transactions
- ⦿ Outstanding Receipts & Payments
- ⦿ Outstanding Financial Statement
- ⦿ Outstanding Appropriation Accounts

These 10 compliance concerns were collapsed into four (4) general categories, namely Non-Compliance, Procurement Breaches, Human Resource Infractions and Poor Governance. A description of each are outlined in Table 3 below. The research draws attention to MDAs that were repeat offenders and those that the audit reports identified as having a high number of egregious breaches, as well as ‘one-off’ stark infractions.

Table #3 Primary Breach Categories

AUGD CONCERN	DESCRIPTION
<b>Non-Compliance</b>	Where agents acting on behalf of the State fail to adhere to set rules, policies and regulations
<b>Procurement Breaches</b>	Where agents acting on behalf of the State fail to adhere to the GoJ Handbook of Procurement.
<b>Human Resource Infractions</b>	Where improper payments or emoluments are made to agents acting on behalf of the State
<b>Poor Governance</b>	Where no stated or set policies, rules or regulations exist and agents acting on behalf of the State abuse that policy gap.

## 4.2 FINDINGS OF FOLLOW UP - MDA RESPONSES



From the **41 reports** reviewed, **22 entities** (13 Ministries, 18 Public Bodies and 1 Executive Agency) were the subjects of follow up to concerns flagged by the Auditor General via the Access to Information Act. Table #5 below identifies the Accounting Officers and MDA examined. Those highlighted are the entities which responded to requests for information.

**TABLE #4 SAMPLE INSTITUTIONS SELECTED FOR FOLLOW UP**

	Accounting Officer	Ministry	Government Institution
1.	Mrs. Audrey Sewell	Office of the Prime Minister	<ul style="list-style-type: none"> <li>■ National Housing Trust</li> <li>■ National Water Commission</li> </ul>
2.	Ms. Hillary Alexander	Ministry of Science, Energy & Technology	<ul style="list-style-type: none"> <li>■ Universal Access Fund</li> <li>■ Post and Telecommunications Department</li> <li>■ PetroCaribe Development Fund</li> <li>■ Electoral Office of Jamaica</li> </ul>
3.	Dr. Maurice Smith	Ministry of Education	<ul style="list-style-type: none"> <li>■ Ministry of Education</li> </ul>
4.	Dr. Elaine Foster-Allen	Ministry of Health	<ul style="list-style-type: none"> <li>■ Ministry of Health</li> <li>■ Bellevue Hospital</li> <li>■ South Regional Health Authority</li> <li>■ North Regional Health Authority</li> </ul>
5.	Mr. Robert Buddan	Ministry of Industry Commerce Agriculture & Fisheries	<ul style="list-style-type: none"> <li>■ Companies Office of Jamaica</li> <li>■ Agri-Investment Corporation</li> <li>■ Food Storage &amp; Prevention of Infestation Division</li> <li>■ (The Then) Ministry of Industry, Investment &amp; Commerce</li> <li>■ All-Island Cane Farmers Association</li> </ul>
6.	Devon Rowe	Ministry of Finance	<ul style="list-style-type: none"> <li>■ Development Bank of Jamaica</li> <li>■ Accountant General's Department</li> <li>■ Jamaica Customs Department*</li> </ul>
7.	Ms. Allison McLean	Ministry of Sports	<ul style="list-style-type: none"> <li>■ INSPORTS Limited</li> </ul>
8.	Mrs. Collette Roberts-Risden	Ministry of Labour & Social Security	<ul style="list-style-type: none"> <li>■ National Insurance Scheme</li> </ul>
9.	Mrs. Jennifer Griffith	Ministry of Tourism	<ul style="list-style-type: none"> <li>■ Jamaica Tourist Board</li> </ul>

\*Executive Agency



The Auditor General's findings and recommendations, formed the basis for the Access to Information (ATI) queries. The key objectives guiding the questions were to:

- ☑ Ascertain if the entity implemented the recommendations of the Auditor General or implemented any other remedial measures they identified as being more effective.
- ☑ Ascertain if the MDA's accounting officer, held any member of staff accountable, and if yes, how.

.....



*This is the problem I see generally when I come to PAC, that there are persons who obviously have system problems, who have been derelict in their duties and have not performed them properly and yet still those persons persist in the system. And I think this is something that we have to look at generally, in terms of how we have management that's not accountable. And the whole question of accountability is something that is lacking, because persons can keep their jobs and not do them properly. Where is the accountability?*

PAC Member ~ April 26, 2013

### 4.3 AuGD FINDINGS AND ACTIONS REPORTED BY MDAs

MDA	National Housing Trust	Audit Year	2015 Performance Report
THE ISSUE	NHT’s mission is: “to be effective stewards, caring for our contributors as we deliver housing solutions, build communities, refund contributions, and influence the market to make housing more affordable.” The audit sought to determine the level of due diligence undertaken by NHT, prior to investments and land acquisitions.		
AUDITOR GENERAL’S FINDINGS		MDA RESPONSE	
POOR GOVERNANCE			
1	<b>Poor Planning:</b> NHT is unable to pursue housing solutions on <b>six parcels</b> of land acquired for <b>\$342.6 million</b> , as the zoned land use would have to be changed from agricultural to residential. The AuGD reported that NEPA and the Ministry of Agriculture has already advised against two of the properties being rezoned for residential.	Two parcels of the six are being swapped with Ministry of Agriculture for a Joint Venture with Sugar Company Holdings and one is being sold to Coconut Industry Board. The status of the other four remains the same.	
2	<b>Poor Due Diligence:</b> NHT acquired two parcels of land from National Housing Development Corporation [now Housing Agency of Jamaica] for <b>\$1.07 billion</b> at Point, Hanover and Ironshore, Saint James. NHT indicated that the acquisition of the properties was to boost NHDC’s liquidity. However, NHT’s failure to complete the requisite verification resulted in its purchase of the incorrect parcel of land at Ironshore. Both parcels of land were characterized by steep slopes which would result in high development costs.	No documentation was provided to support that anyone was held responsible for the acquisition of the wrong property.	
3	<b>Poor Project Feasibility:</b> NHT invested <b>\$2.07 billion</b> in three ventures, namely; Jamaica Lifestyle Village, Central Wastewater Treatment Company (CWTC) and Harmonisation Limited, during 2004 to 2009. Except for the CWTC investment, the AuGD saw no evidence that NHT contemplated: the cash flow impact; the expected rate of return on the investments; the assessed benefit, and whether the investment decisions were in line with existing strategy of the Trust.	The NHT has reviewed its systems and processes. All investments that are being considered benefit from intense scrutiny and all decisions will demonstrate: <ul style="list-style-type: none"><li>■ The cash flow impact on the NHT</li><li>■ The expected rate of return on the investment</li><li>■ The assessed benefits to the NHT; and</li></ul> The alignment of decisions with the existing strategy	
4	<b>Poor Investment Decisions:</b> In June 2010, Cabinet gave approval for the transfer of NHT’s shareholding in CWTC to the National Water Commission (NWC) for the <b>nominal sum of \$1</b> . The Jamaica Lifestyle Village investment has suffered full impairment, which suggests that NHT is unlikely to recover the sum invested.		

5	<p><b>Poor &amp; Unsubstantiated Decisions:</b> In December 2012, the NHT Board approved the purchase of the loan of <b>\$180 million</b> from a Merchant Bank in exchange for the assets owned by Orange Valley Holdings Limited (OVHL) valued at <b>\$311.16 million</b>. There was no evidence to support that the Board's decision was based on their being clear on what the property would be used for.</p> <p>Since the date of the transfer of the title, NHT assumed full responsibility for the on-going operational costs at the Orange Grove property. Expenditure incurred as at October 2014, totalled <b>\$28,098,686</b> and included utility, maintenance, insurance, security and salary related costs. We enquired after the costs spent to date and the plans for the property.</p>	<p>The Properties Evaluation sub-committee of the Board was mandated to fully examine options for the sale, lease or any viable alternative. Based on the recommendations of the sub-committee, the board has decided to divest the property. The property has been advertised in national newspapers. Twice in August 2015 and twice in August 2016.</p> <p><b>Costs to date</b></p> <p>Property Acquisition - \$180,883,870</p> <p>Furniture and Equipment - \$2,559 307.87</p> <p>Operating Costs - \$52, 779,372.80</p> <p><b>Total: \$236,222,550.67</b></p>
<b>NON COMPLIANCE</b>		
6	<p><b>Legislative Breach:</b> Up to the time of the report, the NHT had spent <b>\$13,262,091</b> on salary and emoluments for the staff at the acquired Orange Grove property (Outameni). These payments were not approved by the Ministry of Finance as required under the PBMA Act.</p>	<p>Monies to be spent on the Orange Grove property have been included in the NHT's 20016/17 budget and have been approved by MOF and the House of Representatives.</p>
7	<p><b>Policy Breach:</b> Decision No. 17 of the Cabinet approved GOJ Accountability Framework for Senior Officers, require that Permanent Secretaries, as accounting officers, receive copies of Board Minutes from all public bodies, under their portfolio. The PSec indicated that she expected the OPM rep on the board would advise her office of significant matters but she was only made aware of this [Outameni purchase] through "public disclosure".</p>	<p>Transmittal letters for board minutes were provided indicating that this breach has been rectified.</p>

MDA	National Water Commission	Year(s)	2010 Annual Report, 2014 Performance Report
THE ISSUE	To facilitate the financing of capital rehabilitation projects to reduce Non-Revenue Water (NRW), NWC charges customers a percentage of their bill amount. This charge is known as K-Factor. NWC and OUR agreed on capital rehabilitation projects to be completed during each tariff period. The audit was conducted to determine whether NWC is using the K-Factor revenue to effectively implement projects approved under the K-Factor programme in order to reduce NRW and improve energy efficiency. The audit also seeks to determine whether NWC is complying with the established regulatory framework to ensure proper oversight of the K-Factor programme.		
AUDITOR GENERAL'S FINDINGS		MDA RESPONSE	
POOR GOVERNANCE			
1	<b>2010 Report: Monies Outstanding</b> As at March 31, 2010, Rent income from properties owned by the NWC amounting to approximately <b>\$34M</b> remained outstanding. The NWC was advised to collect the outstanding amount.		<b>No response provided on the status of compliance.</b>
NON COMPLIANCE			
2	<b>2014 Report: Missed Targets</b> NWC did not achieve the 2008-13 Tariff Determination Notice target to reduce Non-Revenue Water (NRW) to 50%. At March 2014, NRW stood at 71%, representing 16 percentage points above OUR's target of 55%. Of the <b>270 billion</b> imperial gallons of NRW, leaks accounted for 132 billion (49%), while unauthorized consumption accounted for 137 billion imperial gallons (51%).		NWC's NWR report states that NRW is currently down from 71% to 59% since the AG's report. A USD\$42.5M contract was signed in July 2015 to treat with leak detection and repair, pipeline replacement and repair. This is a 5 year project that will allow the NWC to reach the targeted NWR to 30%.
3	<b>2014 Report: Failure to Remit Monies</b> Over the period April 2008 to September 2014, NWC collected approx. \$16 billion for K-Factor from customers. However, only 15.3 billion (94%) was deposited into the K-factor Bank account. The <b>\$0.7 Billion</b> was used for operational expenses, which constituted a breach.		KPMG 2016 Management letter. 14 of the management accounts for Feb 2016 identified \$690M as outstanding deposits to the K-factor bank account. NWC confirmed via said document that as of May 1, 2016 the outstanding lodgements to the K-factor was fully paid to "maintain compliance with OUR Determination" Notice Document.
4	<b>2014 Report: Failure to Remit Monies</b> NWC established a Unit to manage the K-Factor programme. OUR agreed that the NWC would cover the administrative costs. NWC without OUR approval instituted a supervision <b>cost of 8.5%</b> of project costs and transferred <b>\$1.08 billion</b> to NWC's operational bank accounts. NWC failed to produce evidence that this charge was made known to the OUR. The AG also noted that the expenditure for the Unit 2013/14 amounted to only M\$72.		Via letter dated <b>March 25 2015</b> the NWC and OUR have agreed to a repayment of monies "deemed to have been ineligible for withdrawal" from the Kfactor funds, in monthly installments by March 31, 2017. The OUR however, has indicated that the NWC <b>has not</b> commenced repayment and they are awaiting a payment plan for same.

5	<b>2010 Report: Unapproved Staff Loans</b> There was no evidence to support that NWC obtained the requisite approval from the MOFP for the operation of a staff loan system. This was compounded by the fact that staff members were not required to provide security for the loans, nor were the loans subject to interest charges.	<b>No response provided on the status of compliance.</b>
6	<b>2010 Report: Unapproved Write Off</b> There was no evidence to corroborate that either the Board or the Ministry of Finance's prior approval was sought for the writing-off of over <b>\$398.9M</b> in Customer accounts balances as at March 31, 2010. This is contrary to the Ministry of Finance Circular No. 9 ref: file no. 107/O22 dated May 21, 2007 Section 6.51 which states "The authority to write off losses in excess of <b>\$50,000</b> is vested in the Financial Secretary". The Entity was advised to obtain approval for write offs from the Ministry of Finance and the Board of Directors.	NWC advised through KPMG Management letter of 2016 that it was a "data-cleansing exercise" and it is their understanding that there is an ongoing exercise to reinstate these balance and accounts to Customer Information System.
7	<b>2010 Report: Unapproved Write Off</b> A review of the Commission's records for the period 2009/2010 revealed that as at March 31, 2010, there was <b>\$16.9M in outstanding royalties</b> . There was no formal agreement between NWC and excavators outlining the terms and conditions of the arrangement in regards to the excavation of marl on NWC property.	<b>No response provided on the status of compliance.</b>
8	<b>2010 Report: Policy Breach</b> The AuGD found no evidence of MOFP approval and no evidence that it was sought for permanent staff to receive 9000 gallons of water credit monthly. As at June 2010; an examination of 1,611 staff accounts revealed that over <b>\$8.5M</b> represented amounts owed to NWC for water billings in excess of a 9,000 gallons.	<b>No response provided on the status of compliance.</b>
9	<b>2010 Report: Unremitted Statutory &amp; Corporation Tax</b> The records revealed that statutory deductions from employees' emoluments totalling <b>\$216M</b> for the period ended March 31, 2010 were not remitted to the Inland Revenue Department. Corporation taxes amounting to over <b>\$184 million</b> were outstanding - 2004/05, 2005/06 and 2006/07.	Tax declaration sheet of July 2016 indicates that income tax and statutory liability (NIS, NHT, Education tax and H.E.A.R.T) for July 2016 is \$14.51 Million. A significant reduction from the \$400 million quoted in the 2010 Report.

MDA	Universal Service Fund	Year(s)	2013 & 2014 Annual Report, 2015 Performance Report
THE ISSUE	<p><b>The Universal Service Fund (USF)</b> was established under the Telecommunications (Amendment) Act 2012, and became effective on June 1, 2012, as a successor to the Universal Access Fund Company Limited. The Mission of the USF is to facilitate the provision of universal access to the information superhighway by stimulating and accelerating the deployment of broadband services island-wide through effective collection and astute management of the universal service levy and disbursing such funds in a transparent and non-discriminatory manner to fund appropriate projects.</p> <p><b>E-Learning Jamaica (E-Ljam)</b> was established as an Agency under the Ministry of Science, Technology, Energy and Mining and is funded by the Universal Access Fund. E-Ljam manages two major projects i.e. the E-Learning High School Project and the Tablet in School (TIS) Project. The aim of the audit was to determine whether the USF has adequate systems in place to effectively collect and account for the service levy due to it.</p>		
AUDITOR GENERAL’S FINDINGS		MDA RESPONSE	
NON COMPLIANCE			
1	<p><b>2015 Report: Poor Project Oversight</b> Terminating Carriers did not faithfully submit the traffic reports to USF on a timely basis. Of the 43 expected reports to be received from carriers for the period April 2012 to October 2015, only one Terminating Carrier submitted all the required reports, while the other two submitted 26 and 37 reports. The AuGD saw no evidence that USF took any action to ensure that the carriers complied with the established timeline for submission of the reports.</p>		<p>There are 3 terminating carriers. At the time of this report, the traffic reports were almost up to date. Two of the three carriers were current up to June 2016 and the other up to July 2016. A significant improvement.</p>
2	<p><b>2014 Report E-Ljam Unreported Stolen Equipment</b> E-Ljam internal audit report dated July 3, 2014 for period April 2012 to Sept 2013 revealed that 447 items costing approximately <b>US\$344,393.34</b> were stolen as at September 2013. No report submitted to MOF or AuGD.</p>		<p>E-ljam provided annual inventory reports for <b>2011</b> and <b>2012</b>. Memo to all participating schools indicated that stolen reports are to be made to and E-ljam and MoE. No indication that the AuGD or MoF is or will be advised by either party. <b>Note:</b> Nov 9, 2013 E-ljam email to principals pointed out that <b>\$1,080,648.15</b> worth of equipment was “missing or not seen” and US\$477,654.55 stolen.</p>
3	<p><b>2013 Annual Report: Unapproved Payments</b> The AuGD found no evidence to support approval for advances made from the USF. Amounts totalling <b>US\$78.415 million</b> were advanced from the USF in 2009, for public debt payments. The AuGD was not provided with the requisite approval for the transfer of <b>US\$60.09 million</b>.</p>		<p><b>No response provided by the entity</b></p>

POOR GOVERNANCE		
4	<p><b>2015 Report: USF Poor Project Management</b> USF did not implement a system to ensure that project beneficiaries faithfully submit the requisite reports as a condition for disbursement. The USF's policy stipulates that project beneficiaries should submit monthly progress reports at both the project implementation and post implementation phases. Of the 88 project files reviewed, the AuGD identified only 5 cases in which disbursement was informed by a report.</p>	<p>The USF Operations Procedures Guidelines dated April 2016 (Pg 13) states that <i>"All ongoing support will be conditional upon the timely submission of requisite reports..."</i>.</p> <p><b>Note:</b> The USF however, did not provide the requested documentation to support that they are in fact complying with the policy.</p>
5	<p><b>2015 Annual Report: USF Poor Delinquency Management</b> The USF does not have formal policies and procedures in place to manage delinquencies. USF records showed that amounts owed to the Fund from universal service levy have increased from <b>\$81.7 million</b> as at April 2012 to <b>\$117.8 million</b> as at March 2015. This represents a 44 per cent increase over the period.</p>	<p>USF's response to the AuGD advised that if payments were not forthcoming as expected a notification of default would be sent, leading to <i>"suspension of international services for that carrier if the overdue payment is not made good in 48 hours."</i> USF reported that the amount currently outstanding is <b>\$404,695,822.79</b>.</p> <p><b>Note:</b> No documentation was provided to support that such notifications were in fact sent.</p>
6	<p><b>2014 Annual Report: Poor Project Management</b> The AuGD found that the USF had no system in place to monitor the programme to determine whether targets are being met and value was received for money disbursed. There is no evidence that USF requested progress reports from the implementing agency – E-Learning Jamaica.</p>	<p>USF secured additional human resources for monitoring and now receives interim project reports from eLJam.</p> <p><b>Note:</b> No documentation was provided to link payments however, to the reports received.</p>
7	<p><b>2014 Annual Report: E-Ljam Time Overrun.</b> The three year High School Project that should finish in 2006 up to 2014 still not fully complete nor handed over to the Ministry of Education. There was no project management document in place to guide the process.</p>	<p>The project was completed in March 2015. Deed of gift transmittal letter to the Ministry was provided. Ministry of Education and E-Ljam are still in the process of handing over the physical assets and CREM equipment.</p>
8	<p><b>2014 Report: E-Ljam Under-utilization of Equipment Purchase</b> Equipment purchased at a cost of <b>US\$874,000</b> and delivered to MOE since July 2010 to be used as the Central Repository for Educational Materials (CREM) is yet to be used for its intended purpose.</p>	<p>CREM has been installed at eGovJa and is being utilised in schools.</p>
9	<p><b>2014 Annual Report: Policy Breach</b> Contrary to GoJ policy outlined in the Corporate Governance Framework for Public Bodies the AuGD found that there was no documented evaluation of the Board of Directors of the E-LJam for the period February 13, 2012 to March 31 2014.</p>	<p>Evaluation process is still not yet in place.</p>



10	<p><b>2014 Annual Report: Inadequate Risk Analysis</b> During the Pilot Phase, Tablets In School was expected to deliver 25,000 tablets to 38 schools free of cost after which there is expected to be a rolling out of tablets to all institutions on a cost sharing basis. The AuGD could not determine the strategy that would allow E-Ljam to achieve its objectives in the event that parents are unable to afford the cost in the rollout phase.</p>	<p>The cost sharing concept was cancelled. The current strategy is to deploy sets of tablets for shared use instead of 1:1 assignment to students.</p>
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MDA	Electoral Office of Jamaica	MDA Response
<b>PROCUREMENT CONCERNS</b>		
1	<p><b>2010 Report: Poor Contracting</b></p> <p>A contractor was awarded four (4) contracts amounting to \$14.7M with variations of \$1.6M between Nov 20 to Dec 19, 2007, for renovation and construction works at the EOJ premises. It appeared that the total costs of these construction works were fragmented to avoid submission to the National Contracts Commission, as the works were carried out simultaneously at the Headquarters and the dates of the contracts were a few days apart. Review of the contracts revealed that they had no commencement or end dates, no liquidated damages clause to protect the Entity's interest, variations were not approved by the Accounting Officer and the requisite recommendations by the Procurement Committee were not seen by the audit team.</p>	<p>The ECJ in its response to the AG had provided evidence that all contracts were open to tender and the fact that one company won four was not evidence of fragmentation. In keeping with the recommendation, a separate Procurement Committee as distinct from the Management Committee was set up and a Procurement Charter developed and approved by the Ministry of Finance (copy available for inspection). All procurement goes through the Procurement Committee; the meetings of which are minuted and signed.</p>
2	<p><b>2010 Report: Absence of a Contract</b></p> <p>An expired contract was used to substantiate payment of <b>\$12.8M</b> to a contractor. Management was reminded that this deprives the entity of its rights in the event of litigation, and that a written contract should be executed to protect the Entity's interest.</p>	<ul style="list-style-type: none"> <li>■ The contractor identified was the developer of the fingerprint system used by the EOJ. The contractor volunteered to undertake further development of the Electronic Voter Identification and Ballot Issuing System at its own cost and risk due to cash flow problems at the ECJ. Payments were made to the contractor only after the new modules were tested and accepted by the EOJ.</li> <li>■ In keeping with the audit recommendation, a new contract was put in place prior to any acceptance of new developments by the ECJ. The office is no longer contracted to the entity.</li> </ul>

3	<p><b>2010 Report: Unauthorised Sole Source</b></p> <p>Contrary to the Procurement Guidelines competitive quotations or the requisite approvals were not obtained to justify the use of the sole-source procurement method to procure goods and services <b>totalling \$24M</b>; several items were purchased without deliberations by the Procurement Committee and minutes for the period March 2008 - February 2009 were not signed by the members to authenticate the decisions taken.</p>	<p>The Minutes of the Procurement Committee Meeting for the period March 2008 to February 2009 were subsequently signed. The main supplier mentioned in the audit was the developer of the fingerprint system and was selected after an earlier competitive bidding process involving international companies. The subsequent procurement of hardware and software could not be put to tender as the software and hardware had to remain compatible with the system already bought.</p> <p><b>Remedial Measures:</b></p> <ul style="list-style-type: none"> <li>✓ Establishment of a new Procurement Committee in keeping with the audit recommendation.</li> <li>✓ Minuting of all meetings and strict adherence to Government of Jamaica's procurement guidelines.</li> </ul>
<b>HUMAN RESOURCE INFRACTIONS</b>		
4	<p><b>2010 Report: Improper Payments</b></p> <p>An officer was overpaid salary of \$188,701.</p>	<p>The officer who was overpaid \$188,701 was contacted and advised of the overpayment. The officer migrated and subsequently returned to Jamaica. An arrangement was made to have the amount repaid in installments. Only one (1) payment was made. The matter is to be sent to litigation.</p>
5	<p><b>2010 Report: Improper Payments</b></p> <p>Contrary to the Ministry of Finance's advice and their employment contracts, two (2) officers were paid honorarium amounting to \$2.1M.</p>	<p>Previously, such officers were given two (2) weeks gratuity for overtime hours worked in an election. The Auditor General in an earlier audit report had advised that instead of the two (2) weeks gratuity, officers should log hours worked and be paid accordingly. The payments were made on the previous advice of the Auditor General's Department. This formed the basis of the organization's response and no further action was demanded by the Ministry of Finance.</p>
6	<p><b>2010 Report: Improper Payments</b></p> <p>Another officer was paid travelling allowance of <b>\$291,550</b> but the ownership and existence of the vehicle could not be confirmed as there were no documents relating to the vehicle on file, no indication of the type of vehicle was on any of the travel claim forms submitted, and the vehicle was not presented for a physical inspection. Management was advised to recover the amounts.</p>	<p>The EOJ admitted to procedural breaches in not having documentation or record, but was able to verify the officer had available to him a suitable vehicle which was being used to perform his duties. Subsequent to the audit, the documentation necessary to collect travelling was regularized.</p> <p><b>The Accounts Department no longer makes payments without certification by the Human Resource Department.</b></p>

<p><b>7</b></p>	<p><b>2010 Report: Unapproved Staff loans and advances</b>  Although, this issue was raised in previous reports, management failed to obtain Ministry of Finance’s approval to operate its loan scheme. The Entity continued to grant interest free loans, contrary to the prescribed rate of 8%.</p> <p>Loans totalling \$1.2M were granted without deliberation by the Committee, also adequate supporting documents and securities were not always obtained prior to loan disbursements.</p>	<p>The scheme is now being operated in keeping with GOJ’s guidelines where interest is charged on each loan.</p> <p>All loans are granted at the interest rate prescribed by the GOJ and motor vehicle loans secured by bill of sale or adequate accumulated vacation leave.</p>
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MDA	PetroCaribe Development Fund (PDF)	MDA Response
NON COMPLIANCE		
<p><b>1</b></p>	<p><b>2014 Report: Non Payment of Fees</b> For the period April 2012 to July 2014, all commitment fees due were paid with the exception of the Clarendon Alumina Production (CAP). CAP has not made any payment in relation to the commitment fees to the PDF totalling <b>US\$225,000.</b></p>	<p>The outstanding commitment fees were consolidated with the loan amounts that were outstanding as at March 2013 and formed part of the debt assumed by MOR on behalf of CAP.</p>
<p><b>2</b></p>	<p><b>2012 Report: Policy Breach</b> For the period April 2012 to July 18, 2014, the AuGD noted instances whereby commitment fees for some borrowers were being charged at less than the required 0.5%.</p> <p>For 17 loans granted during the period, PDF applied a commitment of 0.2 % for six of these loans, and a rate of 0.25% for four. This resulted in commitment fees being reduced by <b>US\$3.75 million.</b></p>	<p>The PCDF was operating under a de facto lending practice where the fee was negotiated in the structuring of large loans with each variation recommended by management and approved by the Board. Since the AG’s report, the Lending Policy was modified to allow for such Board discretion.</p>

MDA	Development Bank of Jamaica (DBJ)	MDA Response
<b>PROCUREMENT CONCERNS</b>		
<b>1</b>	<p><b>2015 Report: Poor Contracting</b></p> <p>Since inception in April 2000, DBJ had not assessed the extent to which it is achieving its intended outcome of facilitating economic development. DBJ does not conduct any robust post evaluation of the economic performance of the projects.</p> <p>DBJ has not assessed the economic impact, including actual number of jobs created from loans disbursed to finance development projects.</p> <p>The AuGD was “therefore challenged to determine whether DBJ is truly fulfilling its mandate and the extent to which the country is benefiting economically from loans granted by DBJ, which amounted to <b>\$17.96 billion</b> over the period 2009-10 to 2014-15.”</p>	<p>The DBJ has since created the Corporate Objective: Demonstrating Development Impact in our Corporate Plan for 2016/17 to 2019/20 indicating our commitment to create the infrastructure necessary to measure the economic impact of the Bank’s interventions on the economy of Jamaica.</p> <p>The Bank recently engaged a Monitoring &amp; Evaluation Specialist to review the Bank’s current systems and develop a robust Monitoring &amp; Evaluation Framework which will assist the Bank to effectively monitor the performance of the projects we support. It will include a plan and structure for conducting impact evaluations periodically.</p>
<b>2</b>	<p><b>2010 Report: Absence of a Contract</b></p> <p>The DBJ hired a consultant in February 2015 to measure the impact of its loans. The AuGD concluded that the Bank “<i>did not obtain the anticipated value as the consultancy agreement was modified to exclude the impact assessment deliverable.</i>”</p>	<p>In the 2014/15 financial year understanding the impact of the DBJ’s loan was a strategic project being undertaken for which a consultant was hired to execute in two phases: (i) Job verification exercise and (ii) Impact Assessment. After the contract was signed, we encountered difficulties in its execution which would have implications for the impact assessment deliverables. A decision was taken to abort same with the intention of revisiting the process before the end pf the 2016/17 financial year</p>
<b>3</b>	<p>DBJ also provides financing to SMEs through various financial institutions. However, DBJ did not monitor the financial institutions to satisfy itself that the loans disbursed met the stipulated criteria. The AuGD noted that DBJ was required to monitor these institutions based on the signed general agreements with Approved Financial Institutions. DBJ did not enforce this requirement.</p>	<p>As reported by AG, DBJ in August 2015 amended its letters to require submission of evidence of disbursement and reporting to track receipt.</p>
<b>4</b>	<p>DBJ’s non-performing loans (NPL) grew from <b>\$1.1 billion</b> as at March 2010 to <b>\$2.5 billion</b> as at March 2012. The Non-Performing Loans subsequently declined to \$897.8 million as at March 2015, mainly due to write-offs, instead of recovery of outstanding loans, which suggests that DBJ may have difficulty recovering non-performing loan amounts from delinquent borrowers.</p>	<p>The downward trend in NPL’s as reported by AG continues. No new measures were required since the AG’s report.</p>

5	The Development Bank of Jamaica (DBJ) is responsible for the management of the Capital Development Fund. There is no formal agreement between the DBJ and the CDF relating to the management of the Fund. In the absence of a formal agreement, there could be misunderstanding as to the roles and responsibilities of the parties, how conflicts should be resolved and the terms of payment.	It is the considered view of the DBJ's Management Team that an agreement between the CDF and DBJ is not necessary as there is a Managing Committee pursuant to the provisions of the Bauxite (Production Levy) Act (the Act") in place to govern the affairs of the CDF. Notwithstanding that the monies in respect of the CDF is lodged in an account in the name of DBJ, all decisions in respect of the management of the funds is done by the Managing Committee. An agreement between DBJ and the CDF might result in the Managing Committee delegating its functions under the Act. We are not sure this is permissible under the Act. It should be noted that all withdrawals from the CDF must have prior approval of Parliament.
6	The Development Bank of Jamaica does not have proper systems in place to determine the accuracy of levy receivable from the bauxite companies. Therefore, the AuGD found it difficult to obtain the relevant evidence to support the receivables balance disclosed in the general ledger.	

MDA	Post & Telecommunications Dept (PTD)	MDA Response
POOR GOVERNANCE		
1	<p><b>2010 Report: Poor Internal Controls</b> Internal controls over the custody and issue of stamps were not enforced. Stamps valuing <b>\$11.6M issued</b> to post offices were not recorded in the dispatch register and there was no evidence that the register was subjected to review by an independent officer.</p> <p>In addition, the PTD was unable to provide details of the contents held in 214 bags, which included stamps that were designated for destruction. The Department did not provide the value of the stamps to be destroyed.</p> <p>There was no evidence that procurement of stamps were related to consumer purchasing patterns.</p>	<p>A Stamp Management Policy is currently in place that addresses in depth all stamp related measures and best practices. Nonetheless it is being revised to ensure it reflects the changing market realities. Copy of stamp policy provided.</p> <p>The Stamp Dispatch Officer (FMG/AT2) has the responsibility to maintain and review the Stamp Register. A copy of Job Description provided.</p> <p>MOF letter and Board of Survey Destruction of Postage Stamps Report provided to indicate procedural compliance.</p>
2	<p><b>2010 Report: Inadequate Records Management</b> - PTD did not maintain a detailed inventory record, which uniquely identified its properties by listing, property location, size, title volume and folio numbers to facilitate effective asset management. The Commissioner of Lands was equally unable to provide an answer.</p> <p><b>2012 Annual Report follow up</b> - Of the 285 premises managed <b>only 62</b> property sizes were recorded with Volume/Folio for 9.</p>	<p>Presently eighty (80) properties have been assigned Volume and Folio numbers. The PTD continues to work with the National Land Agency to update this information. Property Register available for inspection.</p> <p>Property Management Manual recommended by the Auditor General was completed and all relevant officers were familiarized via workshops. Copy provided.</p>

Non Compliance		
3	<p><b>2010 Report: Unauthorised Rent Arrangements &amp; Unstructured Rent Rate Policy</b> - Strategies were not being carefully implemented to enhance revenue generation from excess spaces at post offices. Rental rates were not always set by a competent officer and consultations were not made with the Commissioner of Lands for 23 of the 24 rental agreements presented, as required by the Crown Properties (Vesting) Act.</p> <p>Rental rates were not being adjusted in keeping with the contract terms. Fixed utility fees rather than as per usage were being charged to tenants. PTD paid the total cost for utilities of <b>\$5,504,708.63</b> over the period June to December 2008 for properties shared with 22 tenants and only recovered \$76,500 from 15 tenants. Seven (7) of the 24 contracts viewed by the AuGD were expired for some <b>7 years</b>.</p>	<p>All payments for tenants are currently up to date except those that have been referred to the Attorney General.</p> <p>All rental rates are adjusted on the anniversary date of the contract by the stipulated 7.5% increase. Rental Agreement template provided.</p> <p>For tenants without separate metering, payments are apportioned as per sample rental agreement provided and are made with rental payments. All tenants are current with utility payments.</p>
4	<p><b>2010 Report: Deficient Rent Collection System</b> - Nineteen (19) tenants owed the Department approx. <b>\$6.7M</b> in rental as at September 30, 2009 for periods up to 57 months; There was no evidence that rent is being collected for 2 of the ATMs at St Ann's Bay and Mandeville PO</p>	<p>All delinquent tenants were referred to the Attorney General for legal action to recover outstanding amounts and possession of the premises. It is an ongoing matter and the PTD is not aware of any recovery to date.</p>

MDA	Jamaica Tourist Board (JTB)	MDA Response
Poor Governance		
1	<p><b>2015 Activity Based Report:</b> The AuGD found that the JTB had paid <b>J\$4.07 billion</b> paid to three marketing and public relation service providers to promote the country as a tourist destination over the period 2012-2015. They indicated that the JTB did not require all agencies to submit annual plans and opined that this would compromised JTB's ability to examine and influence the marketing strategy of these agencies in a structured manner.</p>	<p>Paper trail of emails provided, containing directives to public relations and advertising services providers, Burson-Marsteller, Finn Partners and Foote, Cone and Belding with respect to the development of plans for their respective assignments. Cover page of plans provided by those entities are attached.</p>
2	<p><b>2015 Activity Based Report:</b> JTB did not seize the opportunity to negotiate better terms or capitalize on competitive market rates when some service providers' contracts expired. At the country level they found that contracts for three marketing representatives included a rollover clause that enabled automatic renewal for a maximum of one year, if JTB did not issue a notice of termination. The JTB has paid amounts totalling <b>J\$183,361,799</b> to these marketing representatives for the period 2012-2015.</p>	<ul style="list-style-type: none"> <li>■ Paper trail of correspondence with MOF conveying appreciation for their guidance in the conduct of a procurement process which was undertaken with respect to the four expired European marketing contracts and the award of new contracts accordingly.</li> <li>■ We have provided the first page of Agreement for Marketing Representation Services in the German-Speaking Markets (Germany, Austria &amp; Switzerland) and in Poland- is the template used for these contracts and reflects the new termination paragraph which removes the automatic renewal clause.</li> </ul>

MDA	All Island Jamaica Cane Farmers Association (AIJCFA)	MDA Response
<b>NON COMPLIANCE</b>		
<b>1</b>	<b>2011 Report ~ Breach of the SCF/PBMA Act</b> <ul style="list-style-type: none"> <li>In the last 10 years only 4 of the required AGM's were held.</li> <li>No audited financial statements submitted to the Minister since Sept 2006</li> <li>Estimates of Income &amp; Expenditure not prepared for the last 8 years</li> <li>Cess was being paid to Jamaica Cane Products Sales (JCPS) and not Sugar Industry Authority</li> </ul>	<p>Copies of the Annual Reports of the AGM's that were held from 2012 were provided. These substantiated:-</p> <ul style="list-style-type: none"> <li>Four (4) AGM's held to date</li> <li>Four (4) Audited Financials submitted to the Ministry of Agriculture</li> <li>Four (4) Income &amp; Expenditure Estimates submitted</li> <li>Payment arrangement has been fully regularised regarding the cess</li> </ul>
<b>2</b>	<b>2011 Report ~ Negative Cash Flows</b> <p>The AuGD found that during the period 2001-06, the AIJCFA had continuing net losses, and negative equity. The AIJCFA financial dilemma was compounded by negative cash flows from operations, which ranged from negative \$2.2M to negative \$18.8M.</p>	<p>The Audited Financial Statements included in the Annual Report provided an accurate reflection of the financial position of the Association.</p>
<b>3</b>	<b>2011 Report ~ Cess Receivable Unreconciled</b> <p>The AIJCFA does not have a system in place to readily determine the actual cess receivable from JCPS. The report shared with the Association that their audit determined that they were short paid \$1.2M in 2009/10 and \$0.728Million in 2008/09.</p> <p>The audit revealed that the cess was improperly used to offset \$4.5M in relation to staff members' motor vehicle loans with AIJCFA.</p>	<p>The cess payment is now being reconciled against the tonnage of sugarcane to ensure accurate payment.</p>
<b>4</b>	<b>2011 Report ~ Improper Use of Cess</b> <p>The AuGD found a number of uses of the Cess and the arrangements of its remittance from Jamaica Cane Products Sales (JCPS) that were inconsistent with what was required as per the Sugar Cane Farmers Act. One example is, JCPS's advancing cess monies of \$24.4M at an interest rate of 12% per annum. As at 2010 the outstanding advance was \$5.2M.</p>	<p>JCPS no longer advances Cess monies to the AIJCFA</p>
<b>5</b>	<b>2011 Report ~ Cess Remittance Breach of SCF Act</b> <p>The AuGD's report revealed that contrary to the SCF Act, the Sugar Industry Authority through Jamaica Cane Products Sales has consistently remitted cess to the AIJCFA. The report indicates that this practice "denies the Parliament and other stakeholders the right to assess the affairs of the AIJCFA and intervene and influence its policy direction.</p>	<p>The Cess is remitted to the AIJCFA through the Sugar Industry Authority.</p> <p>Audited Financials and Cheque stubs regarding receipt of Cess from SIA were made available for inspection.</p>



HUMAN RESOURCE INFRACTIONS		
6	<p><b>2011 Report ~ Farmers Pension Compromised</b></p> <p>Cane farmers retirement benefit not maximised due to AIJCFA's failure to remit pension contributions. The Association reported that it owed pension contributions totalling \$50.1M. The AuGD reported that the AIJCFA received the monies from the Jamaica Cane Products Sales but used the funds to offset operational expenses.</p> <p>The AuGD found no evidence to indicate that statutory deductions totalling \$7.4M deducted from employee's salary for the period January 2008 to September 2010 were remitted to the relevant authorities.</p>	<ul style="list-style-type: none"> <li>■ No monies are owed to statutory bodies on behalf of farmers. The monies were owed to statutory bodies on behalf of staff and the desired information is included in the Annual Reports. Documents included will substantiate that all statutory deductions owed on behalf of the staff have been paid up to include NIS, NHT, HEART, PAYE &amp; ED Tax.</li> <li>■ A PAYE amount of approximately \$22M represents interest arrears for which the Association has sought and has received approval from the TAJ for the sum to be written off.</li> <li>■ All statutory deductions have been fully paid up to date.</li> </ul>
7	<p><b>2011 Report ~ Poor Governance Practices</b></p> <ul style="list-style-type: none"> <li>■ The AuGD found that the entity did not design and implement systems to ensure accountability and transparency.</li> <li>■ The AIJCFA maintains a system of cash payment which limits adequate paper trail for transactions and increases AIJCFA exposure to risks.</li> </ul>	<p><b>The following controls were implemented:</b></p> <ol style="list-style-type: none"> <li>1. We have ensured paper trails exist for both cheque payments and cash payments. Payments by cheque utilize a cheque payment voucher system which is supported by quotations, evaluation forms and purchase orders guided by the GOJ Procurement Guidelines. Cash payments were restricted to a maximum of \$2,000.00 and this limit was only changed in 2016 to a maximum \$5,000.00. Payments are supported by Petty Cash Vouchers and receipts indicating the authorizing officer, the recipient and the date.</li> </ol>
	<p><b>2011 Report ~ Poor control</b></p> <ul style="list-style-type: none"> <li>■ The accounting and other duties were not adequately segregated and payments were not always authorized and approved.</li> <li>■ These represent a serious breakdown in internal control which could allow error, and misappropriation of assets to remain undetected for protracted periods.</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensuring segregation of duties in the reparation of payments with at least three (3) distinct categories, namely, Prepared By: Checked By: and Approved By:</li> <li>■ Ensuring that all payments are approved before said payment is made. This is to ensure that invoices are approved, the responsible person has to indicate whether goods/services were satisfactorily received or performed and affix the relevant signatures to the statement. For payments to staff, they are substantiated by the granting of approval from the manager, the Chairman or Committee of Management.</li> <li>■ Keeping of proper records to ensure that all receipts/payments are accurately recorded in the correct period which is evaluated annually by the external auditors.</li> </ul>

From the 13 institutions that failed to respond, a sampling of breaches sent for comment are provided below, with the more severe breaches highlighted.

<b>NON COMPLIANCE ISSUES</b> - egregious breaches of EXISTING government rules, regulations and policies.	
<b>MDA</b>	<b>Inland Revenue Department</b>
<b>1</b>	<b>2010 Control over Blank Motor Vehicle Titles</b> - Inland Revenue Department was advised to strengthen the controls surrounding blank motor vehicle titles to reduce the possibility of misuse. The audit revealed that one thousand <b>1,000+</b> blank titles issued from the Inland Revenue Department's Stores were not recorded in the disbursement register.
<b>MDA</b>	<b>Ministry of Labour &amp; Social Security</b>
<b>2</b>	<b>2010 Dishonoured cheques</b> - Replacement cheques were not received for <b>413</b> dishonoured cheques totalling approximately <b>\$11.1M</b> , which were received as payment for National Insurance Scheme contributions over the period April 2007 to March 2010. The Ministry was advised to take the necessary steps to recover the outstanding amounts.
<b>3</b>	<b>2013 Improper Payment</b> - Contrary to Section 19C of the FAA Act, the responsible officers did not affix their signatures to respective payment vouchers and journals to indicate that <b>10 transactions</b> amounting to <b>\$555 million</b> were certified and authorised. The authenticity of the payments could not be guaranteed in the absence of the authorising signature.
<b>4</b>	<b>2013 Weak Internal Control over the Payment Process</b> - There was need for the Ministry to strengthen the internal control over its payment process, as contrary to the Financial Instructions, five payment vouchers with transactions totalling <b>\$102.5 million</b> were not cancelled or stamped "paid" to prevent reuse. Four payments totalling <b>\$1.7 million</b> were not supported with the requisite supporting documents.
<b>MDA</b>	<b>Tax Administration Jamaica (TAJ)</b>
<b>5</b>	<b>2011 Questionable Interest Calculations</b> - On October 2, 2009 the AuGD advised the tax authority that interest was calculated on GCT refund using the compound interest method and that this method of computation is not a requirement of the GCT Act. Nevertheless, the tax authority did not reverse this policy until one year after (October 1, 2010). Consequently, the government incurred interest of approx. <b>\$72.5M</b> for the period April 2010 to September 2010.
<b>6</b>	<b>Questionable Interest Calculations</b> - TAJ's failure to process claims in keeping with the provisions of Section 46 (6)8 of the GCT Act resulted in additional expenditure being incurred by way of interest charges to the Government. Interest was calculated by 'rounding up' to the nearest month, instead of calculating for the exact number of days in the month that have elapsed. As a consequence, the government paid out additional interest of <b>\$32.5M on 32 claims</b> , which were refunded in the period under review. One company received additional interest of <b>\$18M on two claims</b> ; which was paid in August 2010.
<b>MDA</b>	<b>Ministry of Finance - Scholarship And Assistance Programme</b>
<b>7</b>	<b>2011 High Delinquency Rate</b> - Despite previous reports, a high delinquency rate still exists for the programme. At March 31, 2011, beneficiaries who failed to honour their bond agreement, owed the Government <b>JMD36.8M, CAD198,557, USD176,340 and GBP36,371</b> . Despite this, management was tardy in referring delinquent cases to the Attorney General's Department.

MDA	CHASE Fund
8	<b>2012 No Bonding for Scholarship Awardees</b> - For the period 2007-2008 to 2011-2012, a total of 87 awardees received scholarship assistance amounting to <b>\$127.6 million</b> for which no bonding agreements were executed. It was noted that an amount of \$932,000 was paid to a training institution for an individual who abandoned the programme of training.
MDA	Ministry of Education
9	<b>2012 Abandonment of Bond Agreement</b> - At March 31, 2012, <b>212 teachers</b> owed the Government <b>\$410 million</b> because they did not honour their bond agreements. Of the 212 teachers who reneged, 114 (54 percent) have never repaid, 74 (35 percent) were inconsistent, and 24 (11 percent) were servicing their loans on a monthly basis. The Ministry did not request progress reports from the teachers who were granted study leave. Consequently, the AG was unable to determine how the Ministry satisfied itself that the teachers were pursuing the course of study.
MDA	Ministry of Finance ~ Betting Gaming & Lottery Commission
10	<b>2012 Inadequate Internal Controls</b> The AuGD noted that there was inadequate management controls over the warehouses that store seized gaming machines. The Commission did not have records of the number of seized gaming machines, and the movement of seized machines in and out of the warehouses. Further, in some instances, the keys to the warehouses were not returned to the custodian for up to 14 days.
MDA	Jamaica Customs Agency (JCA)
11	<b>2014</b> The AuGD found no policy is in place to direct the Collection and Delinquencies Unit. Contrary to the Section 42.2 of the Financial Management Regulations requires that arrears be collected in 12 months. JCA without approval of the Financial Secretary has been using <b>24 months up to 36 and 41 months</b> in some cases.  Poor performance in its collection of arrears. As at March 31, 2014 <b>\$655.78 million</b> in arrears and increase of approximately 12% compared to the previous year. The JCA is not sufficiently aggressive in pursuing recovery of arrears. In too many cases, legal proceedings are justifiable but are not taken. 10 cases where no summons were issued, totalled <b>\$107.32M</b> . Note the JCA does not charge interest or penalties on outstanding amounts.
12	<b>2014 Significant Inefficiency</b> - 15 motor vehicle concession cases with <b>\$6.7 Million in arrears</b> . JCA claims importers cannot be located. AuGD identified from the Tax Administration Jamaica systems that 6 are actively conducting business as <i>motor vehicle importers</i> . JCA is not effectively pooling its resources with the TAJ and other government entities to achieve their mandate.
MDA	Ministry of Industry Investment & Commerce
13	Food Storage & Prevention of Infestation Division advised the AuGD that budgetary constraints impacted its ability to undertake major activities such as inspection of food storage facilities and follow-up visits to facilities in the instances where infractions were identified during FSPID's inspections. FSPID did not meet its targeted number of inspections for the 2014/2015 period, with an under performance of as high as 1,061 less inspection than target, in the third quarter. <b>FSPID does not have a master list of all food storage entities operating island wide.</b>

**PROCUREMENT BREACHES** - Egregious breaches of the Handbook of Public Sector Procurement Procedures. These are breaches of 'non-compliance'; however due to its pervasive and persistent occurrence it has been separated to underscore the extent of the challenge.

<b>MDA Inland Revenue Department</b>	
<b>14</b>	<b>2010 Procurement Breaches</b> - Two contract agreements, under which payments totalling <b>\$110M</b> were made, bore no expiration date; one of which was not approved by Cabinet ( <b>\$94M</b> )
<b>MDA South East Regional Health Authority</b>	
<b>15</b>	<b>2010 Absence of Contract</b> - During the year ending March 2010, payments totalling \$20M were made for security services, without the existence of a written contract.
<b>MDA Ministry of Health</b>	
<b>16</b>	<b>2011 Absence of Security Contracts and Breach of Procurement Guidelines</b> - The Hospital paid a total of <b>\$31M</b> to two companies for the provision of security services without formal contracts being in place. Further, a written contract was not in place for a contractor who was engaged to carry out electrical repairs. The engagement of the contractor breached the Government's procurement guidelines.
<b>MDA Tax Administration of Jamaica</b>	
<b>17</b>	<b>2011 Absence of Cabinet Approval</b> - Cabinet's approval was not obtained for the contracts awarded to an armoured services provider who was paid <b>\$60.6M</b> during the period under review. Also, no evidence was presented that the requisite endorsement of the National Contracts Commission (NCC) was obtained for the contract awarded to the contractor. The Government Procurement Guidelines were circumvented when Cabinet's approval was not obtained for contracts over \$30M and NCC endorsement for contracts over \$10M.
<b>18</b>	<b>Absence of Contracts</b> - Despite being the subject of previous audit reports, formal contracts with 5 service providers were not presented when requested. The companies were paid a total of <b>\$142M</b> during the period under review. The Deputy Commissioner reported that the draft contracts are being reviewed for finalization.
<b>MDA Ministry of Education</b>	
<b>19</b>	<b>2011 Absence of a Contract</b> - The AuGD noted that the Ministry paid <b>\$6.2 million</b> for payroll services without a formal contract with the supplier, even though the matter was brought to their attention from 2005.
<b>20</b>	<b>2012 Un-presented Contract Documents</b> - The Ministry did not present the relevant Cabinet approvals for the procurement of textbooks from two suppliers, which totalled <b>£1.1 million</b> . Also, the contract for one of the suppliers was not presented.
<b>21</b>	<b>2014 Poor Procurement planning</b> - The Ministry purchased an Uninterrupted Power Supply (UPS) for <b>\$32.6 million</b> to protect the Ministry's electronic equipment. However, up to the time of the report (October 2014) the UPS was not commissioned into service. The MOE reported that it did not have the required funds, approximately <b>\$163 million</b> , to carry out the work needed to improve the current infrastructure of the buildings to facilitate the installation of the UPS.

**POOR GOVERNANCE** - decisions and actions taken by state agents that are strictly in breach of an existing regulation and demonstrates unsound, inefficient and poor execution of a task.

MDA	Tax Administration of Jamaica (TAJ)
22	<b>2011 Inadequate Segregation of Duties in TCC Processing</b> - The TAJ was exposed to possible fraud due to inadequate segregation of duties in the processing of Tax Compliance Certificates. For the period April 2010 to March 2011, a total of 19,555 TCCs were issued. On 15,369 (79%) occasions, only one officer carried out the data entry, verification and printing of the TCCs, as outlined in the table below. This weakness was pervasive in the Tax Offices of Constant Spring, Kingston, Montego Bay, Savanna-la-mar and St. Ann. Management promised corrective action.
23	<b>2011 Taxpayers being Refunded Billions while Indebted to the Government</b> - The AuGD identified <b>1,362 instances</b> where <b>206 delinquent taxpayers</b> , who had tax liabilities of <b>\$1.134B</b> as at the 31st March, 2011, received GCT refunds of <b>\$1.152B</b> during the period under review. The age of the arrears ranged from one to over six years. TAJ reported that the practice in place was not to offset refunds with arrears across tax types unless requested by the taxpayer.
MDA	Accountant General Department
24	<b>2010 Miscellaneous and Computer Loans</b> - The AuGD identified that 551 borrowers were delinquent with their loan repayment for miscellaneous and computer loans with outstanding balances of <b>\$8.35M</b> and <b>\$2.48M</b> respectively. Seventeen (17) instances were noted where the requisite interest was not charged to the borrowers' accounts; resulting in outstanding interest of <b>\$220,148</b> . Also, in another seventeen (17) instances loan repayments did not commence in accordance with the salary deduction orders. Delays ranged from <b>2 to 41 months</b> after the loans were disbursed.
MDA	Ministry of Labour & Social Security Programme of Advancement Through Health and Education
25	<b>2010 Waste</b> - GOJ/IDB LOAN NO. 2889/OC-Jamaica. In April 2014, one hundred and forty three (143) computers valuing \$14M were procured. However, our inspection revealed that 39 computers valuing \$3.89M were still in storage, approximately one year after the purchase.
MDA	Jamaica Customs Agency
26	<b>2013 Concession Goods not Tracked</b> - 106 excavators, valued at <b>CIF J\$1.2 billion</b> , were imported during the period 2011-12 under a 100% duty concession. However, these excavators were not registered on any system to capture the stipulated conditions of the concession or restriction of transfer. Section 32 (1) of the Customs Act stipulates that goods imported under the special concession should not be transferred before three years, otherwise the full duty becomes payable.
MDA	Ministry of Agriculture ~ Agri-Investment Corporation
27	<b>2013</b> The contract of employment of one of the signatories to the Agricultural Support Services Productive Projects Fund Ltd (ASSPPFL) account ended in February 2009. However, during the period July 2009 Nov 2011, the individual was a signatory to <b>91 cheques valuing \$112 million</b> drawn on the ASSPPFL account, and signed documents authorising the encashment of investments amounting to <b>\$56.6 million</b> from the ASSPPFL fixed deposit account during the period March '09 to Nov '11. The AuGD noted that the individual is still a signatory to the ASSPPFL account and other accounts, despite the approval being granted by the Ministry of Finance in May 2013 to change the signatories.

MDA Ministry of Industry Investment & Commerce Companies Office of Jamaica	
28	<p><b>2013</b> The Companies Office of Jamaica (COJ) undertook a project to redevelop its website in-house. The AG could not determine the basis for this decision. The project has been delayed for the past five years and actual expenditure has already exceeded the original budget of <b>\$26 million by \$29.8 million</b> as at April 2013. COJ estimates that a further <b>\$30 million</b> will have to be spent to complete the project. The actual expenditure exceeds the amount the head of the Entity is authorized to approve, and would require the approval of the Cabinet and the endorsement of the NCC, as outlined by the procurement guidelines. No consultations were sought from EGov the Govt entity mandated to provide Information Technology support.</p>
MDA National Works Agency	
29	<p><b>2013 Governance of Discretionary Waivers</b> In 2010 the AG reported that the NWA did not provide any evidence to confirm that a contractor received 2 million litres of fuel, for which discretionary waivers of <b>\$34.75 million</b> were granted.</p> <p>The NWA however, did not establish an effective system to monitor and control the usage of fuel imported under special waivers, as stipulated in the letters of approval from MOF.</p> <p>In the 2013 follow up audit, the NWA did not present evidence to the AuGD to account for 6.5 million litres of fuel that were imported under waivers. This represents <b>\$84.5 million</b> in taxes and duties that were waived. The MOF letters that approved the waivers were open ended and neither included the quantity of fuel to be imported under the waivers, nor an expiry date.</p>

## HUMAN RESOURCE ERRORS

MDA Department of Correctional Services	
30	<p><b>2010 Unapproved Employment Contracts</b> - Despite the Office of the Services Commission's advice that no further extension of the contract to an Assistant Superintendent would be granted beyond May 15, 2007; the Department continued to employ the officer up to June 30, 2009.</p>
MDA Ministry of Health, National Council on Drug Abuse	
31	<p><b>2015 Advances on Gratuity</b> - The Council continued to make advances on gratuity although this concern was reported in previous audit reports and management was advised to desist from this practice. During the period under review, advances on gratuity, which totalled <b>\$745,000.00</b>, was paid to three employees prior to their performance evaluation. This practice is a breach of the Ministry of Finance Circular No 15, dated May 8, 2012.</p>
MDA Ministry of Finance - Asset Management Team	
32	<p><b>2011 Overpayment of Salaries</b> - An Executive Secretary was overpaid \$170,100 for commuted traveling allowance from January to December 2010 despite a Ministry's driver was paid overtime to transport her to and from work. Management was asked to recover the amount.</p>



<b>MDA</b>	<b>Ministry of Labour &amp; Social Security</b>
<b>33</b>	<b>2013 Payroll in Excess of Approved Establishment</b> - AuGD compared the approved establishment of the Ministry with the payroll and found that the Ministry employed 224 persons in excess of the approved staff complement. MLSS reported that the positions were authorised; however, the requisite approval from the Ministry of Finance was not presented. Employment of persons in excess of the approved establishment represents a breach of the Civil Service Establishment Act. In the absence of the approval, we have deemed the related payments unauthorized and the culpable officer(s) may be recommended for surcharge.
<b>MDA</b>	<b>Jamaica Customs Department (now Jamaica Customs Agency)</b>
<b>34</b>	<b>2012 Improper Payment of Crown Overtime</b> - The Ministry of Finance and the Public Service guideline prohibits the payment of crown overtime to annually paid staff. Despite our previous audit report, the Department made overtime payments totalling <b>\$86.9 million</b> for the period April to Dec 2011.
<b>35</b>	<b>2012 Overpayment of Travelling Allowance</b> - The JCD failed to periodically review the motor vehicle documents and inspect the vehicles of travelling officers. <b>47 officers being overpaid \$6.89 million</b> over the period July 2009 to April 2012. Although the officers sold their motor vehicles they continued to claim travelling allowances.
<b>MDA</b>	<b>Ministry of Agriculture - Agri Investment Corporation</b>
<b>36</b>	<b>2013</b> 11 officers were paid gratuity totalling <b>\$12.9 million</b> for contract period September 1, 2009 to August 31, 2011, despite there being no evidence that requisite performance appraisal was done. AIC did not require travelling officers to submit a travelling claim for the payment of motor vehicle upkeep allowance. Over the period April 2009 to March 2013, 26 travelling officers were paid motor vehicle upkeep allowance amounting to <b>\$28.9 million</b> , without being required to submit a travelling claim.
<b>MDA</b>	<b>Ministry of Education</b>
<b>37</b>	<b>2015 Over-payments to Early Childhood Practitioners</b> - The Commission continued subsidy payments to early childhood practitioners who had separated from various early childhood institutions. This resulted in over-payments totalling <b>\$21,663,190.95</b> , of which \$10,360,229.87 occurred in the current period 2014/2015. Some over-payments were from as far back as 2010. The Commission recovered \$4,262,791.01 of the over-payments, between April and October 2015, and advised that steps are being taken to address weaknesses in the system.





## “WHO IS THE AUDITOR GENERAL?”

Auditah Gíneral??

Yes man ah she look innah tings wah nah guh right. Big tings. Major tings.

Nuh Miss Space Teet? Yes man, ah she smile all di while but di smile deadly. Mí like har, she work wid evidence.

Wait ah nuh she? Eh-eh!! Mí nuh know den. Ah wan lady doah.

Wait deh. Yes, mí membah....Miss Ellis. She always ah talk up di tings innah Pahliment. Tings wah oddah people tek on aftah and aftah it scattah abroad, she guh back innah di hole.

Di name nevah click. Auditah General? Dem need a new name. Nuh more General nutten. Wi have too much ah dat, nuh wondah mí nuh membah.





## 5. MAPPING THE ACTORS IN THE ACCOUNTABILITY FRAMEWORK

### 5

#### 5.1 WHO HOLDS PUBLIC OFFICIALS ACCOUNTABLE AND HOW ?

This section identifies public officials that contribute to the government's accountability framework. It defines their role and where applicable speaks specifically to legislation that empowers them to call and hold government officials to account. [\[See Appendix 9\]](#)

##### The Auditor General

The AuGD was established through the Constitution of Jamaica and given a mandate to promote accountability, transparency and efficiency in government operations. Section 25 of the Financial Administration and Audit Act empowers the Auditor General to audit the accounts of Public Bodies (currently 190 active bodies), 14 Government Ministries, its Departments and 12 Executive Agencies. Both Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act require the AG to prepare an annual report which has to be submitted to Parliament via the Speaker of the House of Representatives no later than the December 31 following the end of each respective financial year. [\[See Appendix 2, 3 & 4\]](#)

**Sanctioning Authority:** The Auditor General is not provided with powers to sanction or penalise public officials. Information therefore, has to be conveyed to other officials of government who can.

**Additional Reporting Requirements:** Section 26 of the FAA Act instructs the AG to notify

the Financial Secretary of “any loss or deficiency” and if “any payment is improper or, as the case may be, is so extravagant or nugatory as to be regarded as an improper payment”. [See Appendix 6] Section 30 of the FAA Act requires that reports generated from auditing the accounts of any public body, conducted as the AG sees fit “shall be transmitted to the appropriate Minister for presentation to the House of Representatives”.



Well, they say the PAC is the government's watch dog? Is it a toothless dog that only barks? We keep seeing scandal after scandal after scandal. What kind of power does the PAC have?

## The Public Accounts Committee

The Public Accounts Committees (PAC) is a standing bi-partisan Sessional Select Committee whose members are drawn from members of the House of Representatives. [Members list Appendix 7] The PAC's primary function is to establish whether government policy is carried out efficiently, effectively and economically.

To that end, Standing Order 69A gives the PAC the task of examining “the report of the Auditor General.....”. [See Appendix 5] Through these hearings, PAC members seek to identify the causes for weaknesses identified in the Auditor General's reports, provide recommendations to Accounting Officers and document same in the PAC's annual report for tabling in the House of Representatives.

**Sanctioning Authority:** The PAC is not granted any powers to sanction or penalise public officials. Its impact and influence lies in its ability to summon public officials, examine their actions and to then place the PAC's recommendations before the parliament (the public domain) for debate/discussion.

## The Financial Secretary

The Financial Secretary is functionally the Permanent Secretary of the Ministry of Finance and as such is the Accounting Officer.

**Sanctioning Authority:** There are three pieces of legislation that provide that office with some level of enforceable sanctions to penalise public officials. Section 26 of the FAA Act

requires the AG to inform the FSec of any irregularities and further empowers the Ministry of Finance through the Office of the Financial Secretary, to apply a 'surcharge' against any public official within three (3) years of when a breach is committed that results in an identifiable loss to the State. [\[See Appendix 6\]](#)

*So a Permanent Secretary doesn't have to depend anymore on a bag of people to hold public officials accountable. But let's say he/she wants to do something what can she actually do? What exactly are the sanctions?*



### The Permanent Secretary

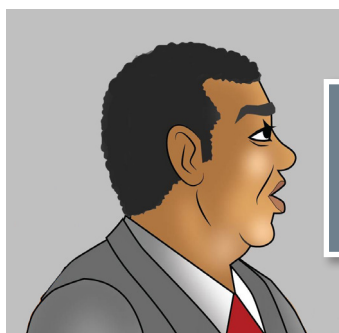
The Permanent Secretary (PSec) is the non-political accounting officer of a government ministry. The PSec is responsible for propriety of expenditure, management of risk and an accurate accounting of the use of resources, making them central in strengthening the accountability framework of Government.

**Accountability:** Since 1999, the Government began implementing the policy of granting the Permanent Secretary “delegated authority” over both human and financial resources of their Ministries. This “authority” is defined in the Public Service Regulations (1961), an Accountability Agreement (signed by the PSec and the Chairperson of the Public Services Commission) and in a very detailed [Letter of Appointment - Accounting Officer](#) issued by the MOF. With these instruments the PSec is now able to appoint, promote, sanction and penalise agents of the state when justified.

**Sanctioning Authority:** Within the context of accountability, the Permanent Secretary answers, by statute, to the Minister, the Cabinet, the Parliament, the Ministry of Finance & the Public Service, the Auditor General and the Contractor General. By means of [Accountability Agreements](#), the Permanent Secretary was delegated functions under the Public Service Regulations, 1961 to treat with appointments, separation and training of staff members [\[See Appendix 8\]](#). More specifically, Section 2.2 and 2.3 speaks to separation and discipline respectively and seven sanctions available to the Permanent Secretary.

**Being Held To Account:** If deemed necessary, the dismissal of a Permanent Secretary would be initiated by a report to the PSC, which would need to include the justification for such a request. The PSC initiates an investigation and submits a report/recommendation

for the action of the Governor General. One reform that the GoJ has undertaken is the increasing use of appointments of PSecs via contract to advance enhancing accountability.



What about government companies that operate more like a business? Since they are more business-like is it any easier to hold officers a CEO or a board accountable?

### Chief Executive Officer, Public Bodies

Public Bodies as defined by the Public Bodies Management and Accountability Act are statutory bodies, authorities and government owned companies. As per the March 2016, Jamaica Public Bodies report<sup>2</sup>, there are now some 190 active public bodies currently on register. Primary governance responsibilities are embodied in board members who are appointed by and report to the Portfolio Minister. They are responsible for ensuring efficient and effective management, which includes holding to account all persons who manage the resources of the organisation.

**Sanctioning Authority:** Section 25 of the PBMA Act makes provision for Enforcement. It says,

*“If the Court is satisfied, on an application by the Attorney-General, that any person has contravened any of the provisions of....” - the relevant sections of the Act are listed - the Court may “order the person concerned to pay to the Crown such pecuniary penalty not exceeding one million dollars; or grant an injunction restraining that person from engaging in conduct ...” for which that officer was deemed non-compliant.*

<sup>2</sup> [Jamaica Public Bodies: Estimates of Revenue and Expenditure for the Year Ending March 2017](#)

## Chief Executive Officer, Executive Agencies

An executive agency is a semi-independent public entity that remains part of the government but has responsibility for its own management and performance<sup>3</sup>. They were first introduced in Jamaica in April 1999 to improve the delivery of public service and are headed by Chief Executive Officers.

**Sanctioning Authority:** Disciplining staff is treated with under Section 11 of the Executive Agencies Act. It empowers the Chief Executive Officer to “*remove from office or exercise disciplinary control over any such officer or employee*” in accordance with an instrument of delegation issued under Section 127 (2) of the Constitution of Jamaica.

To date, under the Executive Agency Act of 2002, twelve (12) government institutions have been designated as such.

The Act goes further to provide grounds on which the CEO can be held to account. It lists six (6) reasons for which a CEO may be removed from office, two of which include - if such officer

*“fails, without reasonable excuse, to carry out any of the functions conferred or imposed on him under this Act or requirements specified in a relevant contract of employment, Framework Document or Performance Agreement” (Section 8e) and “is proven to have brought disrepute to the Executive Agency through misconduct”. (Section 8f)*

## Public Services Commission

The Public Services Commission (PSC) is enshrined in the Constitution of Jamaica. Section 125(1) gives it its powers and states that:-

*Subject to the provisions of this Constitution, power to make appointments to public offices and to remove and to exercise disciplinary control over persons holding or acting in any such offices is hereby vested in the Governor-General acting on the advice of the Public Service Commission.*

The Constitution of Jamaica grants the Governor General power to appoint and remove public officials *on the advice of the PSC*. In an effort to enhance accountability, the PSC was divested of this responsibility and to date, this vested power has been delegated to Permanent Secretaries and Heads of Agencies and Executive Agencies (35 agencies in total).

<sup>3</sup> The Child Development Agency as an exception, is fully supported by the Consolidated Fund



## The Cabinet

Members of the Cabinet are collectively and individually accountable (answerable) to the House of Parliament for the way in which they exercise their duties and perform their ministerial functions. Cabinet can collectively as a body, be held accountable for government policy in general. Likewise, an individual Minister can be held accountable for the way in which he/she performs within their respective portfolios.

**Sanctioning Authority:** The Prime Minister is empowered to relieve a Minister or Minister of State of his/her portfolio, as they serve at the Prime Minister's pleasure. Portfolio Ministers appoint the members of boards that serve Public Bodies and Executive Agencies, as such, that Minister would be operating fully within his/her remit to release a board member from such service.

## The Public Accountability Inspectorate

The Public Accountability Inspectorate (PAI) is one of fourteen divisions at the MOF. It is staffed by a team of accounting professionals that was established in 2009 to "address issues of weak financial management in the public sector"<sup>4</sup>.



The PAI was charged with the responsibility of reviewing critical reports tabled in Parliament. These include the reports of the Auditor General; Public Accounts Committee; The Public Administration and Appropriations Committee; Audit Commission; Internal Audit and the Contractor General. More specifically relevant to this research, it would:-

*Keep detailed record of all points raised by the Auditor General; his recommendations along with all decisions of the PAC ensuring that all such decision and recommendations are carried out by the relevant Government entity and if not to refer the matter to the FSec with recommendations for appropriate action. To provide periodic report to the Financial Secretary on the number of points raised by the AG. The number of points cleared up; the number of points outstanding, why and their status.*

Contrary to those responsibilities which support the mandate of the Auditor General, in actual functioning, the Inspectorate has been limited to conducting forensic investigations upon the direction of the Minister of Finance and/or the Financial Secretary, where

4 Ministry of Finance and the Public Service: Role and Function of the Public Accountability Inspectorate Division

concerns about possible cases of fraud, financial irregularities and misuse of public assets are brought to their attention. As with the AG, the PAI has no sanctioning authority. Unlike the AG, the PAC does not have the benefit of reviewing and examining the PAI's findings and recommendations.

## 5.2 OTHER ACCOUNTABILITY ACTORS

The **Revenue Protection Division** of the Ministry of Finance is mandated to investigate and protect our revenue services from fraud, corruption and inefficiency.

The **Office of the Contractor General** ensures that the public sector contracting process delivers value to the tax-payer, is free from corruption, impropriety and irregularity and is transparent, impartial, competitive, fair, efficient and effective.

The **Public Administration and Appropriations Committee** is another *scrutiny committee* of Parliament. It is mandated to provide oversight of real-time government spending of public monies *on an ongoing basis during each financial year*, in order to stem ill-advised decisions. As such, it is anticipated that an effective PAAC should lead to improved reports from the Auditor General.

**The Media** Democracy requires political participation and political participation requires an informed citizenry. The media therefore contributes in providing the public with accurate and bias free information on the operations and decisions of government.



*Concerns were also expressed by Members of your Committee that where Public Officers were found to be derelict in carrying out their duties or failed to follow procedures, little or no sanctions were applied, which allowed the situation to persist year after year. Your Committee recommended that in order to address this problem, MDAs must be required to apply all available sanctions to bring these persons to account.*

PAC Annual Report ~ 2011/12

## 6

## 6. HOW CLOSE TO THE IDEAL IS THE PAC?

Public Accounts Committees are a creation based on the Westminster parliamentary model and though there is no one template to be found in the nations of the Commonwealth, there are a number of elements that make for 'best practices'. Based upon responses to a survey on PAC effectiveness, by Commonwealth PAC Chairpersons, the World Bank Institute has identified a number of characteristics of the "ideal" Public Accounts Committee. Based on the findings culled from interviews with various stakeholders Jamaica's PAC stacks up very well against the "ideal".



**Table #5** The 'Ideal' Public Accounts Committee

THE CHARACTERISTICS	JAMAICA
▶ It would be small (5-11 members);	2007 to 2011 - 15 members 2012 to 2016 - 13 members Currently 12 members
▶ Senior opposition figures would be involved with it, possibly chairing it;	2007 to 2011 Dr. Omar Davies 2012 to 2016 Mr. Audley Shaw Currently, Dr. Peter Phillips
▶ The chair would be a senior, fair-minded, respected parliamentarian;	
▶ It would be adequately staffed;	Support staff: Committee Clerk, Auditor Generals Department and Financial Secretary
▶ Its roles would be clearly understood;	Training is provided by Jamaica's Clerk of the House. The AG also provides sensitisation sessions.
▶ It would hold regular and frequent meetings;	An average of six held per year.
▶ Hearings would be open	When scheduled, hearings are open to the public in the main chamber of the House on Tuesdays between 10:00am and 1:00pm.
▶ Auditors' reports would be referred automatically to the PAC with the Auditor meeting them to discuss them;	The AG's report is submitted to the Speaker of the House, tabled and is forwarded to the PAC as a matter of course.

▶ Reports would be issued to Parliament at least annually;	Annual reports were available for 5 of the 6 years of the study
▶ Transcripts made publicly available;	Nine (9) steno writers document verbatim all PAC sittings but are delayed in availability to the public, as sittings of the House are prioritised. Compels PAC Committee Clerk to provide interim minutes. Sittings are randomly recorded by the Public Broadcasting Corporation and are accessible by the public at a cost.
▶ The PAC would sometimes investigate issues other than those raised by the Auditor;	Encountered no evidence to support such though Standing Order 69 makes provision for it to examine “any accounts referred to it by the House”.
▶ It would strive for consensus;	Review of transcripts and PBC recordings identified no partisan bent or general lack of consensus between members.
▶ It would have measures for monitoring the implementation of recommendations;	The in-house policy of the AG speaks to a re-assessment of the entity three years after the submission of an audit report. The AuGD revisits agencies scheduled to appear before the PAC to assess compliance levels. There is no mechanism in place to adequately monitor the remedying of breaches and implementation of AG and PAC recommendations. However, in recent years the AuGD has initiated efforts to revisit some issues/ agencies and provides “Follow up” in ensuing annual reports.
▶ The Auditor would be used as an adviser;	The Auditor General and team is present at each sitting as a part of the PAC technical support team, as well as the Office of the Financial Secretary of the MOF.
▶ There would be an annual parliamentary debate of its findings and recommendations.	The debate by the House did not take place for any of the parliamentary years covered by the study.
<b>Source:</b> Stapenhurst, R., Pelizzo, R. and O’Brien, M., (2007) ‘Scrutinising public expenditures: assessing the performance of Public Accounts Committees’ in McGee, D., The Budget Process: A Parliamentary Imperative, London, Pluto.	

# PAC SESSION “DIALOGUE ON ACCOUNTABILITY”

## MINISTRY OF HEALTH & BELLEVUE MANAGEMENT TEAM<sup>1</sup>

**MEMBER:** I have a serious problem constantly when accounting officers come to the committee you just can't reach anywhere with them. We have issues here from 2002 and we are unable to reach anywhere. I wonder if it makes sense to pursue anything because we are treated with scant regard....no respect.....we just go through the motion and then they leave and return to their respective department. ***What I would like to know, is what are the sanctions, there has to be sanctions***, as this is now a circus....what sanctions can be imposed on officers when they show this type of regard for the committee, parliament and Jamaica on a whole?

**CHAIRMAN:** Our problem here is that we as legislators, we bear the brunt of the attacks about whatever, [pause] the public feels that all of us are corrupt. But the officers who should help us to know what is going on, treat us with scant regard.

**MOF ADVISOR:** There are no written sanctions in the law, for failure to respond to a report. It's an issue of management. There is an accounting officer who appoints an accountable officer and that officer who fails to perform this duty should be reported to the Public Services Commission by the accountable officer. That is basically the route.

**CHAIRMAN:** It seems to me that part of the scorecard of management performance must be that the issues raised by the AuGD is responded to. It cannot be that a department just does not respond and life continues as is.

**MEMBER:** If there are no written sanctions, could I ask that in the next report that we lay in Parliament that it includes in it a recommendation that the powers that be look at the whole thing, to ensure that sanctions are included, so that when officers and agencies behave in this way that serious sanctions are imposed.

**CHAIRMAN [TO BELLEVUE'S DIRECTOR OF FINANCE]:** What powers do you have when a department under your aegis does not respond?

**DIRECTOR:** I can only refer it to the Permanent Secretary to take action.

**CHAIRMAN:** Did you?

**DIRECTOR:** No I did not.

**MEMBER:** We have a culture unfortunately where people get their pay without any necessary connection between production and particular service. If this PAC has anything to give to the process of improving governance in this country we are going to have to help the nation understand this. We are presiding over largely a colonial civil service structure to which additions have been made over time when we had better finances and we cannot afford to continue this way.

**CHAIRMAN:** I am going to have to wrap this up because it is depressing and dispiriting.

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1 Extracted from Public Broadcasting Commission recording of PAC Sitting Nov 23, 2010

*The small sample of AG findings was deeply disturbing. At least now have a better picture of who can do what. But clearly the Government's "accountability framework" cannot be working if every year the reports sound like this. So what can be done?*



# 7

## 7. BRIDGING ACCOUNTABILITY GAPS

The research shows that there are significant, glaring gaps in the accountability framework which, if not addressed, will ensure that the situation of widespread breaches of guidelines - unrecorded assets, improper payments, spending outside of budget, unsupported transactions and other such failings will continue. Jamaica will be the poorer for it.

Several key actions are needed to strengthen the accountability framework. These include information sharing across accountability agencies, as well as consistent application of sanctions and indeed the strengthening of sanctions. Additionally, legislative and policy actions are needed to clarify accounting officers' and bodies' legal standing and authority with respect to sanctions.

The recommendations which follow address these and other ways in which the accountability framework can be strengthened.

### The Auditor General

The AuGD derives its mandate from Section 122 of the Constitution and Section 29 of the FAA Act. Both require the AG to report to the Parliament. Beyond that, there is no formal relationship with other "watchdog" agencies with compatible mandates such as, the Office of the Contractor General, the Office of the Services Commission or the Revenue Protection Division of the Ministry of Finance, etc. In some jurisdictions the equivalent of the AuGD has its own specific Law that strengthens its independence, and there are more avenues for civil society participation. The accountability framework would be greatly strengthened by:

1. Formalising/institutionalising information sharing across watchdog entities would greatly improve trouble spotting and the investigative capacity of the overall system.
2. Enacting legislation specific to the AuGD. Separating the responsibilities of



the Auditor General from the FAA Act, would further reinforce the AuGD's independence from the government's financial administrative operations. It would also reinforce the unique role of the office, as being distinct from the executive.

3. Creating a wider platform for citizen participation. The Auditor General has commenced a new initiative of engaging non-government stakeholders during the auditing process. Performance audits in particular, have benefitted significantly from the feedback of service users. Such initiatives can be broadened by actions such as incorporating secure "whistle-blower" reporting facilities on the AuGD's website. For citizens with a non-financial background, further attention to the use of language and the inclusion of a glossary would aid public education. This will require additional research and exchanges with the AG and other government stakeholders to determine the best mechanism for participation. [\[See Case Studies Section 11\]](#)
4. According to World Bank Institute research <sup>2</sup> central banks should be subject to the Auditor General's audit as other public sector agencies are, as such including the Central Bank of Jamaica within the ambit of the Auditor General's audit portfolio, would be an important step. This would build on the earlier effort of the PAI which investigated and made recommendations with respect to the contract of the Governor of the Bank of Jamaica in 2009.

## The Public Accounts Committee

As a sub-committee of Parliament, the PAC is required to submit an annual report with recommendations to the House of Representatives for debate. The PAC was fully compliant with producing reports for the six years spanning the research. Although all the reports have been tabled they have not been discussed nor submitted to the Cabinet for its consideration. This denies the public, opportunity for legislative change and budgetary support that could improve governance, accountability and ultimately improve the delivery of public goods and services. Follow up of findings and implementation of recommendations is crucial for achieving the desired governance practices among MDAs. The research indicates that there is very limited follow up, policy amendment or referral of matters where warranted. A more robust process is called for. The following actions can improve the situation.



<sup>2</sup> [Findings of the 6th Global Forum on Reinventing Government, May 24-27 2005](#)

5. Convening additional sittings (as done during peak parliamentary periods) to treat with the backlog of tabled PAC recommendations. This should be followed by a post debate submission of the House's recommendations for the Cabinet's attention.
6. Online publishing of findings and recommendations directed at MDAs that appear before the PAC. This online database should be updated until full compliance is achieved. This is currently practiced by the Canadian and German Parliament and civil society activists in South Africa. It allows the media, citizens, CSOs and other stakeholders, both in and out of government, to contribute to the monitoring and oversight effort.
7. Adjusting the Standing Orders of Parliament to allow for the appearances of Ministers and Ministers of State before the PAC, should the Auditor General's report implicate their offices in any acts of maladministration and/or malfeasance.
8. The PAC holding the Accounting Officers to account by requesting investigations be conducted by the Public Services Commission, whenever the Committee concludes that the action or inaction of PSec has contributed to the compliance concerns before them. The recommendations of the PSC will determine the exoneration or dismissal of the PSec.
9. Making additional resources available for the government-owned Public Broadcasting Corporation to provide live and/or recorded sittings of the PAC. At a minimum, reports from the AG that have provoked higher than usual public interest and debate, should be broadcast and recorded. The use of social media outlets, such as [YouTube](#) and/or [Vimeo](#) is an option for increasing public access, awareness and demand for accountability. By way of example, see the [Trinidad and Tobago Parliamentary](#) coverage.

### The Financial Secretary

Section 93(3) of the Constitution deems the Financial Secretary, the Permanent Secretary of the Ministry of Finance. The FAA Act accords the Financial Secretary the power to levy surcharges, to ensure that the operations of MDAs are compliant with government policy, rules and regulations and to ensure that the decisions of the respective Permanent Secretaries are in keeping with that of sound financial management of the public purse.

Acting on the recommendation of the AG that surcharges be made against an officer, the



Financial Secretary conducts an investigation and is given 3 years under the FAA Act to sanction via a surcharge. However, for the period 2010/11 and 2012/13, two of the six years covered by this research, the Ministry of Finance recovered only **\$3,218,077.99** (14%) of the **\$22,385,983.37** in losses incurred. Challenges to the effectiveness of surcharges include officers' inability to repay, the closure of the three year window before the AG identifies the loss and attempting to recover losses through the courts where costs to the Attorney General can exceed the amount being recovered.

Measures that can be taken to strengthen the role of the FS and the application and effectiveness of sanctions include:

10. The Financial Secretary exercising his/her authority under the FAA Act to more effectively garnish the wages of public officials in order to recover losses to the State.
11. Granting the Financial Secretary as PSec of the MOF, a higher level of authority than Permanent Secretaries in other Ministries which would be more in keeping with the functions required of the office. Embedding this in legislation should provide a greater degree of authority in protecting the assets of government.
12. Making greater use of the deterrent effect of Section 25 of the PBMA Act which sets out the enforcement powers of the Court and applicable sanctions of a fine not exceeding a million dollars or an injunction restraining officers from continuing actions deemed in breach. Over the 6 years of the research period, the Attorney General received 15 instructions from the Financial Secretary in July 2014 to take legal action on the strength of Section 25. No cases were put before the Court, however, as on receipt of the notice, signalling impending court action, **all agencies** became compliant.

## The Public Accountability Inspectorate

Very few stakeholders in the accountability environment are familiar with the PAI, what it was established to do and what it actually does. The research process included the review of fifteen reports that were generated from investigations conducted by the PAI during the six year period of the study. The PAI, like the AuGD, is an investigative body with no powers to sanction. The findings and recommendations contained in its reports, guide the Financial Secretary and Minister of Finance in determining appropriate action(s) to take. For example, three PAI investigations, have led to the separation of heads of agencies from their assigned positions within the period of review.<sup>3</sup> The role of the PAI could be deepened as follows.

<sup>3</sup> Bank of Jamaica Governor (2009), Student Loan Bureau's Executive Director (2010), and UTech's President (2014)

13. Returning the PAI to its original mandate, to treat with the follow up of the matters put before the PAC. The value to be gained from such monitoring should be greater than the cost to properly resource the Inspectorate.

### Chief Executive Officer, Public Bodies

The public bodies commit the most significant offences against the public purse when compared to ministries and executive agencies. The PBMA Act which sets out what the consequences of breaches are, its provisions lack clarity on where sanctioning authority lies between Boards and the CEO. Stakeholders of the level of former AG, Financial Secretary and the Cabinet Office have also indicated that regulations need to be provided for the Act to clarify sanctioning options.<sup>4</sup> The development of regulations for the PBMA Act has been undertaken twice since its 2001 enactment (in 2012 and as recently as January 2015) but neither effort addressed the issue of sanctions. These anomalies need to be addressed and can be by means of the following actions.



14. Correcting the ambiguities that exist in the PBMA Act that leaves uncertainty about who is to initiate sanctions. Providing regulations for the Act to guide the administration will also increase clarity and improve its use as a deterrent.
15. Expanding the recourse under the Law beyond the Courts as first option. At present the Law provides for legal action as the first and only resort. The finalisation of regulations will be an important step.

### Public Services Commission

The Office of the Services Commissions (OSC) which serves as the administrative arm of the Public Services Commission is required to submit reports on Human Resource Audits, to the responsible Permanent Secretary, and the Cabinet Secretary as Head of the Public Service. In instances of continuous or extreme breaches, the report is submitted to the Chairman of the Public Service Commission with recommendations for sanctions.

<sup>4</sup> For commitments of the Cabinet Office see [www.cabinet.gov.jm/areas\\_responsibility/public\\_sector\\_transformation\\_and\\_modernisation/resource\\_management\\_and\\_account\\_3](http://www.cabinet.gov.jm/areas_responsibility/public_sector_transformation_and_modernisation/resource_management_and_account_3)

These Human Resource reports are also intended to serve as a reference for the performance evaluation of CEO's and Permanent Secretaries. The OSC however, faces challenges in terms of its ability to cover the 35 entities it has responsibility to audit. On average its team conducts 4 audits per year.

15. Providing additional resources for the PSC to more efficiently and effectively carry out human resource audits. The losses sustained yearly by the public purse in the category of human resource infractions is the justification for allocation of additional resources to the OSC to cauterise the abuse.

## The Cabinet

The PAC is mandated to submit its report to the House of Representatives for discussion and following such discussions the report would be considered by the Cabinet. Despite there being a Public Financial Management Reform Action Plan, and Public Financial Management Reform Programme, there is no indication that the Cabinet discusses the report of the PAC in order to be guided in making appropriate policy responses, budgetary allocations or demands for accountability. This is a major failing. The Cabinet can rectify this by:

16. Ensuring Parliamentary discussions of PAC reports and scheduling Cabinet discussions of same.





MOVAL  
6-6029

# “PARLIAMENT’S PUBLIC ACCOUNTS COMMITTEE?”

Empress mi nuh know nutten bout dat.

It sound like palitics and if ah palitics den mi definitely nuh wan know nutten bout dat.

Baby, innah palitics, di more tings change ah di more it stay di same. Nutten nah change. Argument dun!! Buy sumpting nuh?





The Parliament is the 'People's House', right? Which means the PAC is asking the questions on the taxpayers and the voters behalf, right? Well isn't there more that I can do than just sit quietly in the gallery and observe?

## 8

### 8. CAN CITIZENS & CSOs HELP?

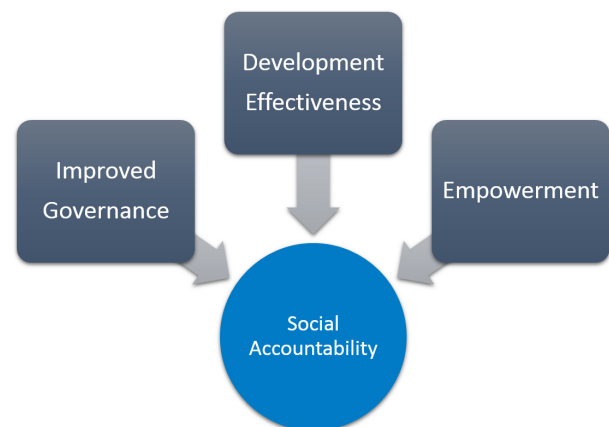
In many countries across the world there is a growing interest in and engagement of citizens to improve public fiscal management. Jamaica is one such. The country currently benefits from the work of several non-government organisations that target poverty reduction and national development. The work of the Auditor General is a significant contributor to those very goals, making CSOs and the AuGD natural allies and development partners.

The GOJ, through the Ministry of Finance has already established one entry point to improving public financial management through collaboration with citizens through partnership initiatives.

Earlier this year, the Institute of Law & Economics (ILE) with the endorsement and support of the Ministry of Finance, backed by funding from the United States Agency for International Development, produced Jamaica's first simplified citizens budget guide. ILE is currently executing a capacity building project, financed by the Commonwealth Foundation, that engages community leaders across the island in budget literacy sessions and introduces them to the concept of participatory budgeting. The Ministry of Finance has both endorsed the project and held joint community meetings with ILE.

In a similar vein, we believe that other PFM initiatives can be undertaken between the GOJ and CSOs via the office of the Auditor General. What therefore, are the mechanisms employed in other jurisdictions that Jamaica could benefit from exploring?

**Table #5** below outlines some benefits of engagement between supreme audit institutions and civil society.



**Social Accountability Linkages**

**TABLE #6: BENEFITS OF ENGAGEMENT BETWEEN SAIs AND CIVIL SOCIETY**

<ul style="list-style-type: none"> <li>■ Citizens and CSOs can help SAIs identify possible areas of mismanagement, inefficiency, and corruption.</li> <li>■ Citizens can contribute to the audit process with relevant information.</li> <li>■ CSOs can participate in the audit process by providing technical knowledge and expertise on specific areas (e.g., environment, education, health).</li> <li>■ CSOs can conduct supplementary investigations on audit findings</li> </ul>	<ul style="list-style-type: none"> <li>■ Citizens and CSOs can put pressure on the legislature and executive agencies to take and enforce corrective actions, as well as help monitor the executive's follow-up to audit reports and subsequent decisions taken by parliamentary committees.</li> <li>■ Citizens and CSOs can perform a watchdog role over the appointment of SAIs authorities to strengthen their institutional autonomy.</li> <li>■ SAIs can learn from civil society's experience and</li> </ul>	<p>methodologies for tracking public funds.</p> <ul style="list-style-type: none"> <li>■ SAIs can provide information that is relevant for citizens to engage in informed participation and to demand accountability.</li> <li>■ SAIs and citizens can work together to build citizen literacy on financial management and oversight.</li> </ul>
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Ramkumar, Vivek, and Warren Krafchik. 2005. "The Role of Civil Society Organisations in Auditing and Public Financial Management."

The three case studies presented on the following pages share the experiences of Ugandan, Columbian and Paraguayan civil society groups that have mobilised and engaged different participatory approaches to support the work of the supreme audit institutions in their respective countries.



## CSO and SAI COLLABORATION

### Joint Audits with the Supreme Audit Institution in Colombia

In 2003, the Supreme Audit Institution (SAI), the *Contraloría General de la República* (CGR) received a grant from the Dutch government to support anti-corruption projects in Colombia, with a focus on strengthening civic engagement and social capital. **During the first phase**, public servants responsible for civic engagement and CSOs are trained. **The second phase** aimed to strengthen and consolidate participatory fiscal control, through *Citizens' Agendas* and oversight of high impact projects.

The definition of viable civil society organizations to participate in the auditing process was broad: social, academic, professional organizations, as well as unions. The model was implemented in four stages that integrated the **Auditing General Plan** (PGA) and the **Articulated Audits**. These are:

**1. Outreach stage:** The CGR identifies CSOs with technical knowledge or that hold high impact information, in order to incorporate them in the control strategy. CSOs could request a particular audit that is not contemplated in the PGA. Formal outreach is preferred, and CSOs are encouraged to communicate their interest in writing through a Delegate Comptroller for Civic Engagement

**2. Articulation stage:** Actors are articulated through the PGA, which is the CGR's internal planning mechanism to schedule the annual audits. The CGR and CSOs joint work starts by reviewing the PGA. The specific topics or cases upon which these two actors can work together are then agreed. A report is produced and delivered to the public agency audited, and based on the comments from the auditing teams, the agency drafts its improvement plans.

**3. Monitoring stage:** The improvement plan is monitored. CSOs are vital in this stage, since they have information that allow them monitor compliance with audit recommendations. CSOs may never substitute the auditing institution's functions.

**4. Extension stage:** It is aimed at coordinating training programs between the CGR and CSOs, as well as sectorial working groups to evaluate public policies, with the objective of increasing civic engagement in public policy evaluation, etc.

#### SOURCE:

<http://iniciativatpa.org/2012/wp-content/uploads/2014/10/Joint-Audits-in-Colombia.pdf>



## CSO and SAI COLLABORATION

### A Global Partnership for Social Accountability Case Study

IN 2011, the **Africa Freedom of Information Centre (AFIC)** and one of its members HURINET supported the **West Ankole Civil Society Forum**, a local citizen group to exercise their right to information. This surrounded their desire for access to records on the construction of a stadium. When this was denied it led to a court petition and a 2 year struggle against the Local Government. Ultimately, it became clear that the contract of 906 million Ugandan Shillings (approx USD\$377,000) which had been awarded to a construction company (which was a sympathizer to the ruling party), was a damning case of mismanagement of public resources.

The **Steering Committee of the Coalition of Freedom of Information** in Uganda (COFI) discussed and examined possible options available to follow up. The strategy that led the Steering Committee to appeal to the IG was based on the belief that:-

- ▶ It could help sensitize the multiple accountability agencies in Uganda on the complementary role that civil society civil society can play in supporting the work of oversight agencies.
- ▶ It could help mobilise support for giving citizens access to information by demonstrating the power of citizens' access to public information in revealing abuse of public resources.

This process however, did not lead to a satisfying answer from the **Inspectorate of Government**, who, despite its promise to investigate the matter, never provided AFIC with feedback on the status and outcomes of the inquiry. However, with respect to CSO engagement with the Supreme Audit Institution, AFIC held a meeting with an Office of the Auditor General (OAG) official on May 22, 2014. The OAG expressed interest in working with AFIC and its local GPSA partners in the following areas:

- ☑ To have CSOs report cases that need OAG attention;
- ☑ To sensitize the public on OAG recommendations and Parliament's actions on these recommendations;
- ☑ To collaborate to train local Community Based Organizations (CBO) networks that work with the OAG; and
- ☑ To have OAG conduct audits on the implementation of the ATI law.

Learn more about the work of AFIC at [www.africafoicentre.org](http://www.africafoicentre.org)



## CSO and SAI COLLABORATION

### Civic Inspectors for Integrity in Paraguay

The **Civic Inspectors for Integrity** is an initiative that aims to promote the interest and commitment of citizens in the public administration's transparency processes by installing the "civic inspector" entity. This is a participation mechanism to exercise social control in the use of public resources. The initiative developed a program aimed at training 120 citizen inspectors who were to be certified by the Comptrollers' General of Paraguay (CGR), the SAI, as Paraguay's first civic inspectors.

The civic inspector acts as a link between the CGR, the Attorney General, and the Judiciary to follow up on the files of crimes against the State's patrimony. They also contribute towards the dissemination of the results of corruption cases that have been judged.

**Background:** The CGR acknowledged that, in order to fulfill its mission to control the use of State resources it needed citizens' effective support. In particular, a communication problem was evident, where frequently corruption cases that have been turned in by the CGR to the Attorney General, were investigated but remained completely unknown by society. Thus, it became essential that civic engagement to watch the process, make it more transparent and guarantee public access to the information.

**Implementation:** The Civic Inspectors for Integrity initiative was implemented in two stages. First (starting in 2007), the initiative contributed towards enhancing the relation between citizens and CSOs and the CGR. The regulation to rule the civic inspectors was produced by the CSOs that promoted the initiative. A Handbook of Civic Inspectors' Procedures was designed to guide their control activities. A training program was developed, which consisted of 120 hours (24 hours in person, and 96 hours of remote participation). A total of 135 citizens responded to the public call. Civic inspectors organized in groups and met weekly to analyze and inform themselves about progress in their respective cases, as well as to plan how to inform society, especially through radio interviews. With the first trained CGR certified civic inspectors, a body to follow up was set up (the Citizen Observatory against Corruption), integrated by CSOs with the support of Transparency Paraguay.

**SOURCE:**

<http://iniciativatpa.org/2012/wp-content/uploads/2014/10/Civic-Inspectors-in-Paraguay.pdf>

## 9

## 9. THE RESEARCH TAKEAWAYS

“Ministries Guilty of Poor Financial Control”, “Bonus Breaches and Gracious Gratuities”, “Auditor General Dissatisfied with National Accounts”, “No Accounts Ever From Regional Hospital Boards”, “Private Sector Groups Want Sanctions for JDIP Breaches”, “AG Finds No Approval for \$200M Disbursed”, “\$8.6Billion Spent, No Value for Money”, “496 Houses for Victims Unaccounted For.....”.



These headlines and others have blared from the pages of the national newspapers spanning decades. They are always greeted by public outcry which tends to be short-lived as life resumes ‘normalcy’ and citizens return to the immediacy of tasks before them. The many questions that remain formed the basis for this research.

Questions such as who is responsible for calling public officials to account, who is responsible for actually holding them accountable? What are the sanctions available? Are there any gaps in the accountability framework and if yes, how can it be filled? Can citizens assist in the process?

The research has brought several things into much clearer focus.

1. Beyond the Auditor General, the **Permanent Secretary** and the **Financial Secretary** are sufficiently empowered with the authority to investigate or cause to be investigated, circumstances that suggest maladministration and/or malfeasance. Neither has to await the report of an Auditor General as they have access to information from internal audits and other sources.
2. There are a number of accountability gaps from a policy, legislative and operational perspective for which recommendations exist in reports such as those submitted to the Parliament by the Public Accounts Committee and in the GOJ’s Revised Corporate Governance Framework (2012). This brings into question the issue of political will and provides strong justification for the need of greater awareness and capacity building of citizens in order to increase effective demand for improvement.
3. Breaches are widespread and are especially pronounced among public bodies and three ministries namely, Ministries of Labour and Social Security, Education and Health.



The situation is one of systemic, poor accountability practices that speak to the need need for a drastic and deep cultural shift.

4. Active citizenship requires ease of access to information on the activities of Government. Therefore, one easily identifiable risk to the research effort was the level of responsiveness of public officials to requests for information under the Access to Information Act. Of the nine institutions (41%) that provided answers, only the Development Bank of Jamaica, responded within the **30 day limit** prescribed by the law and only the Electoral Office of Jamaica provided an answer within the additional **30 days extension** accommodated under the law. The Access to Information Act is a powerful tool in improving transparency and accountability but its true potential is defeated if MDAs are not incentivised to respond.
5. Greater interaction between the AuGD and civil society organizations can translate into strengthening Jamaica's governance framework and ultimately the effectiveness and efficiency of our wealth creation (anti-poverty) initiatives. This argument is supported by the many examples of pioneering interaction in other developed/developing countries, as well as the demonstrable development of CSOs and citizens in Jamaica in terms of both their interest and capacity to offer such public service.

The identification of a participatory model appropriate for Jamaica would be the next step.

## 10. APPENDICES

# APPENDIX 1

## REVIEWED AUDITOR GENERAL REPORTS

### Performance Reports

1. 2010 Post & Telecommunications Dept
2. 2010 National Environmental Planning Agency
3. 2011 Ministry of Health
4. 2011 Ministry of Labour & Social Security
5. 2012 Ministry of National Security
6. 2012 Urban Development Corporation
7. 2013 National Irrigation Commission
8. 2013 Office of Utility Regulation
9. 2014 Child Development Agency
10. 2014 Jamaica Fire Brigade
11. 2014 Dept. of Correctional Services
12. 2014 National Centre for Youth Development
13. 2015 Caribbean Maritime Institute
14. 2015 National Housing Trust
15. 2015 National Works Agency
16. 2015 Development Bank of Jamaica
17. 2015 National Insurance Scheme
18. 2015 Universal Access Fund
19. 2015 Early Childhood Commission
20. 2015 Housing Agency of Jamaica
21. 2015 National Public Health Laboratory
22. 2015 Jamaica Tourist Board
23. 2015 Ministry of Health - Diabetes

### Special Reports

24. 2010 Petrojam Ltd
25. 2011 All Island Cane Farmers Association
26. 2011 Jamaica Development Infrastructure Programme
27. 2011 Institute of Sports
28. 2012 Pension Disbursement Process
29. 2012 Nutrition Products Ltd
30. 2014 National Water Commission - K Factor
31. 2014 Jamaica Social Investment Fund
32. Road Maintenance Fund

### Information Technology

33. 2011 Fiscal Services Limited
34. 2012 Electoral Commission of Jamaica
35. 2012 Transport Authority

### Annual Reports

- 36-41 2010 to 2015

## APPENDIX 2

### FINANCIAL ADMINISTRATION AND AUDIT ACT (SECTION 25)

1. 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 revenue 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.
2. Notwithstanding subsection (1) the Auditor General may, after satisfying himself by conducting such tests as he considers necessary for the purpose of verifying the accounts, in his discretion and having regard to the character of the departmental examination and certification of such accounts, in any particular case admit the documents and accounts so certified in support of the charges to which they relate.
3. For the purpose of the examination of any account the Auditor General shall be entitled at all reasonable times-
  - a. to have access to all books, records, vouchers, documents, returns, reports, information storage devices, cash, stamps, securities, stores or other Government property in the possession of any officer;
  - b. to request in writing and be given custody for such time as he may require, of any books, accounts, vouchers or papers under the control of any officer relating to or concerning public accounts, so, however, that the Auditor General shall give to that officer a written receipt acknowledging delivery of such accounts, vouchers or papers;

- c. to call upon any officer for any explanation and information that the Auditor General may require in order to enable him to discharge his duties;
  - d. to require any accounting officer to furnish him from time to time or at regular periods with accounts of the transactions for which that officer is responsible, up to such date as the Auditor General may specify;
  - e. without payment of any fee, to cause search to be made in and extracts to be taken from any book, document or record in any public office and to require such extracts to be certified;
  - f. to require every person employed in his office who has to examine the accounts of a department to comply with any security requirements applicable thereto and to take any oath of secrecy required to be taken by persons employed in that department;
  - g. to station members of his staff in any department to facilitate the conduct of the audit and the accounting officer concerned shall provide such facilities as the Auditor General may reasonably require for that purpose.
4. Any officer required by the Auditor General to furnish information or documents shall comply with that request as soon as may be reasonably practicable in the circumstances.
5. Where any officer fails to comply with any requirement of subsection (3), the Auditor General may, if the circumstances so warrant, report the matter to the Minister and shall send a copy of that report to the accounting officer concerned and to, the Chief Personnel Officer.
6. The Auditor General shall be entitled to summon and examine on oath, declaration or affirmation (which oath, declaration or affirmation the Auditor General is hereby empowered to administer) all persons whom he shall think fit to examine respecting the receipt or payment of money or the receipt or issue of any Government supplies affected by the provisions of this Act and respecting all other matters and things whatever necessary for the due performance and exercise of the duties and powers vested in him.
  - a. Any person summoned under the provisions of subsection (6) who without reasonable excuse makes default in obeying such summons shall be guilty of an offense and shall be liable on summary conviction in a Resident Magistrate's Court to a fine not exceeding five thousand dollars or, in default of payment, to imprisonment for a period not exceeding six months.
7. The Auditor-General may authorize any officer of his department to perform on his behalf any of his functions under this Act or any other enactment, other than the administration of oaths and certifying and reporting of accounts for the House of Representatives.



## APPENDIX 3

### CONSTITUTION OF JAMAICA (SECTION 122)

1. The accounts of the Court of Appeal, the accounts of the Supreme Court, the accounts of the offices of the Clerks to the Senate and the House of Representatives and the accounts of all departments and offices of the Government of Jamaica (including the offices of the Cabinet, the Judicial Service Commission, the Public Service Commission and the Police Service Commission but excluding the department of the Auditor-General) shall, at least once in every year, be audited and reported on by the Auditor-General who, with his subordinate staff, shall at all times be entitled to have access to all books, records, returns and reports relating to such accounts.
2. The Auditor-General shall submit his reports made under subsection (1) of this section to the Speaker (or, if the office of Speaker is vacant or the Speaker is for any reason unable to perform the functions of his office, to the Deputy Speaker) who shall cause them to be laid before the House of Representatives.
3. In the exercise of his functions under the provisions of subsections (1) and (2) of this section, the Auditor-General shall not be subject to the direction or control of any other person or authority.
4. The accounts of the department of the Auditor-General shall be audited and reported on by the Minister responsible for finance, and the provisions of subsections (1) and (2) of this section shall apply in relation to the exercise by that Minister of those functions as they apply in relation to audits and reports made by the Auditor-General.
5. Nothing in this section shall prevent the performance by the Auditor-General of -
  - a. such other functions in relation to the accounts of the Government of Jamaica and the accounts of other public authorities and other bodies administering public funds in Jamaica as may be prescribed by or under any law for the time being in force in Jamaica; or
  - b. such other functions in relation to the supervision and control of expenditure from public funds in Jamaica as may be so prescribed; or
  - c. such other functions in relation to the accounts of any other government as he may be empowered to perform by any authority competent in that behalf.



## APPENDIX 4

### FINANCIAL ADMINISTRATION AND AUDIT ACT (SECTION 29)

#### Annual report by Auditor General.

1. The Auditor General shall report annually as soon as possible and not later than the 31st day of December following the end of each financial year the results of his examination:

Provided that the Auditor-General may, at any time if it appears to him to be desirable, prepare a special report on any matter incidental to his powers and duties under this Act.

2. Every report of the Auditor General shall be addressed to the Speaker who shall lay the report before the House of Representatives as soon as possible after its receipt by him.

## APPENDIX 5

### TERMS OF REFERENCE OF THE PUBLIC ACCOUNTS COMMITTEE

#### Standing Orders 69 of the Standing Orders of the House of Representatives

“To examine:

- a. the accounts showing the appropriation of the sums granted by the Legislature to meet public expenditure;
- b. such other accounts as may be referred to it by the House or under any Law and
- c. the report of the Auditor General on any such accounts.

All accounts and Financial Statements laid upon the Table of the House in respect of Statutory Boards, Public Corporations, and Public Companies in which the Government holds majority shares are deemed to be automatically referred to the Public Accounts Committee for examination and report.”

## APPENDIX 6

### FINANCIAL ADMINISTRATION AND AUDIT ACT (SECTION 26, 20, 21)

#### 20. SURCHARGE BY FINANCIAL SECRETARY

20. (1) If it appears to the **Financial Secretary** upon a report by the Auditor General that any person who is or was an officer -

- (a) has failed to collect any moneys owing to the Government for the collection of which such person is or was at the time of such employment responsible;
  - (b) is or was responsible for any improper payment of public moneys or for any payment of such moneys which is not duly vouched; or
  - (c) is or was responsible for any deficiency in, or for the loss or destruction of, any public moneys, stamps, securities, stores, or other Government property, and if, within a period specified by the **Financial Secretary**, an explanation satisfactory to him is not furnished with regard to such failure to collect, improper payment, payment not duly vouched, deficiency, loss or destruction, as the case may be, the **Financial Secretary** may surcharge against the said person the amount not collected or such improper payment, payment not duly vouched, deficiency, loss or the value of the property destroyed, as the case may be, or such lesser amount as the **Financial Secretary** may determine.
- (2) No such surcharge shall be made after the expiration of a period of three years from the date of such failure to collect, improper payment, payment not duly vouched, deficiency, loss or destruction, as the case may be.

#### 21. NOTIFICATION OF SURCHARGE.

21. (1) The **Financial Secretary** shall cause the Auditor-General and the accounting officer of the department concerned to be notified of any surcharge made under section 20. (a) The accounting officer on being notified as aforesaid shall notify the person surcharged and shall, subject to the provisions of sections 22 and 23, recover the amount surcharged from such person.

#### 26. NOTIFICATION OF IRREGULARITIES.

26. (1) If, in the course of an audit it appears to the Auditor General that-
- (a) any loss or deficiency has occurred and has not been reported to the **Financial Secretary**, the Auditor General shall report the matter to the **Financial Secretary** and shall inform the accounting officer concerned;
  - (b) any payment is improper or, as the case may be, is so extravagant or nugatory as to be regarded as an improper payment, the Auditor General shall send a statement of such findings to the **Financial Secretary**.

## APPENDIX 7

### MEMBERS OF THE PAC FOR THE PERIODS UNDER REVIEW

#### Parliamentary Term 2007 - 2011

1. Dr. Omar Davies, **Chairman**
2. Mrs. Marisa Dalrymple Philibert
3. Hon. Clifford Warmington
4. Hon. Neville Gallimore
5. Hon. Laurence Broderick
6. Hon. Robert Montague
7. Hon. Michael Stern
8. Mr. Desmond Mair
9. Mr. Tarn Peralto
10. Mr. Michael Peart
11. Mrs. Sharon Hay-Webster
12. Dr. Morais Guy
13. Rev. Ronald Thwaites
14. Mr. Fitz Jackson
15. Mr. Ian Hayles

#### Parliamentary Term 2012 - 2016

1. Mr. Audley Shaw, **Chairman**
2. Hon. Julian Robinson
3. Hon. Colin Fagan
4. Hon. Sharon Ffolkes-Abrahams
5. Hon. Damion Crawford
6. Dr. Donald K. Duncan
7. Mr. Fitz Jackson
8. Mr. Raymond Pryce
9. Mr. Hugh Buchanan
10. Dr. Horace Chang
11. Mr. Edmund Bartlett
12. Mr. Pearnel Charles
13. Mr. Clifford Warmington

### CURRENT MEMBERS

#### Parliamentary Term 2016 - 2020

1. Dr Peter Phillips, **Chairman**
2. Mr. Franklin Witter
3. Hon. Clifford Warmington
4. Mrs. Marisa Dalrymple-Philibert
5. Mr. James Robertson
6. Mrs. Juliet Holness
7. Mr. Leslie Campbell
8. Mrs. Juliet Cuthbert-Flynn
9. Mr. Fitz Jackson, CD
10. Mr. Horace Dalley, CD
11. Ms. Lisa Hanna
12. Mr. Mikael Phillips

## APPENDIX 8

### PUBLIC SERVICE REGULATION - (SECTION 2.2 & 2.3)

More specifically, Section 2.2 and 2.3 speaks to separation and discipline respectively.

**Section 2.2** defines “separation” as removal and/or departure of persons from office under any of the following circumstances;

- i. For cause (misconduct, poor performance, criminal offence, etc.)
- ii. Abolition of position
- iii. Reorganization
- iv. Voluntary departure (resignation, abandonment of post, etc)
- v. Mandatory departure (upon reaching age of mandatory retirement)

and **Section 2.3** defines “discipline” as

*The conduct of disciplinary procedures and the imposition of appropriate penalties for any and all infractions, including those which could lead to dismissal from public office for all public officers within the Ministry/Department.*

The Permanent Secretary’s Letter of Appointment states that:-

*You are to ensure that the guidelines and procedures issued from time to time by the Ministry of Finance and the Public Service in relation to human resource management – staffing, appointment, promotion, transfer, training, emoluments etc. are managed appropriately.*

*Adequate performance management tools must be institutionalized to ensure continuous assessment and evaluation of staff performance and where necessary immediate remedial action taken to correct deficiencies.*

**Holding others to Account.** If an officer is not satisfied with the PSec’s decision he or she has 14 days to make an appeal through the Local Privy Council, who in turn will depend on investigations of the OSC on behalf of the PSC. A report and recommendation is then submitted to the Privy Council, whose decision is final.

Section 10.6 of the Staff Orders for the Public Service outlines the penalties/sanctions available to the PSec.

#### Penalties

- i. Where, based on the outcome of an investigation or the findings of a committee of inquiry, an infraction is found to have occurred, the penalty imposed should be consistent with the nature and gravity of the infraction and should be progressive.

- ii. The following progression may be considered:
- Verbal warning
  - Written reprimand
  - A fine
  - Deferment or withholding of increment
  - Suspension without pay for a period not exceeding three (3) months
  - Reduction in rank
  - Dismissal

## APPENDIX 9

Stakeholder	Sanctioning Authority
Auditor General	The Auditor General is not empowered to sanction or penalise public officials.
Public Accounts Committee	The PAC is not empowered to sanction or penalise public officials.
Financial Secretary	The FAA Act requires the AG to inform the FSec of any irregularities. It also empowers the Ministry of Finance through the officials of the Financial Secretary, to apply a 'surcharge' against any public officials within three (3) years of when a breach is committed that resulted in a quantifiable loss to the State.
Permanent Secretary	By means of <a href="#">Accountability Agreements</a> , the Permanent Secretary was delegated the functions enumerated under the Public Service Regulations (1961) to treat with appointments, separation, training and disciplining of staff members. <a href="#">[See Appendix 9]</a>
Public Bodies, CEO	Under Section 25 of the PBMA Act, the Attorney General makes an application to the Court on behalf of the GOJ. The Court may "order the person concerned to pay to the Crown such pecuniary penalty not exceeding one million dollars; or grant an injunction restraining that person from engaging in conduct ..." associated with the activity for which that person was found non-compliant.



Executive Agencies, CEO	Disciplining staff is treated with under Section 11 of the Executive Agencies Act. It empowers the Chief Executive Officer to <i>“remove from office or exercise disciplinary control over any such officer or employee”</i> in accordance with an instrument of delegation issued under Section 127 (2) of the Constitution of Jamaica.
Public Services Commission	Section 125(1) of the Constitution states that <i>“Subject to the provisions of this Constitution, power to make appointments to public offices and to remove and to exercise disciplinary control over persons holding or acting in any such offices is hereby vested in the Governor-General acting on the advice of the Public Service Commission.”</i>
The Cabinet	The Prime Minister is empowered to relieve a Minister or Minister of State of his/her portfolio, as they serve at the Prime Minister’s pleasure. Portfolio Ministers in turn appoint the members of boards that serve Public Bodies and Executive Agencies, as such, that Minister would be operating within his/her remit to release a board member from such duty.
Public Accountability Inspectorate	<p>The PAI was established in the MOF in 2009. It was mandated to keep detailed records of all concerns/breaches identified and recommendations made by the Auditor General, as well as the recommendations of the PAC. The PAI was tasked to track and monitor the implementation of these recommendations and refer non-compliance to the FSec with their recommendations for action.</p> <p>The PAI was not given any authority to sanction public officials</p>
Revenue Protection Division	As a division of the MOF, the RPD is mandated to investigate and protect our revenue services from fraud, corruption and inefficiency. Under the Revenue Administration Act, where an offence is committed by a body corporate.... <i>“any person who at the time of such commission was a director, general manager, secretary or other similar officer of that body.....shall be liable to be prosecuted as if he had personally committed the offence”.</i>
Office of the Contractor General	<p>The Office monitors the public sector contracting process to ensure that value is delivered to the tax-payer and is free from corruption.</p> <p>The Contractor General’s Act states that if there is evidence of a breach of duty, misconduct or criminal offence on the part of an officer the Contractor General <i>“shall refer the matter to the person or persons competent to take such disciplinary or other proceeding as may be appropriate against that officer or member and in all such cases shall lay a special report before Parliament.”</i></p>

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