

# Auditor General's Department Annual Audit Report

Financial year 2016/2017

REPORT OF THE AUDITOR GENERAL  
ON THE FINANCIAL TRANSACTIONS  
AND FINANCIAL STATEMENTS OF THE GOVERNMENT OF  
JAMAICA FOR THE FINANCIAL YEAR ENDED  
MARCH 31, 2017



## VISION STATEMENT

*"A better country through effective audit  
scrutiny"*

## Head 17000 Ministry of Tourism

ISSUE/CONCERNS
<b>Governance</b>
<p><b>Regulatory breach in submission of Appropriation Accounts</b></p> <p><b>3.2.31</b> The Ministry of Tourism failed to submit the Recurrent and Capital B Appropriation Accounts for financial years 2015/2016 and 2016/2017 to this Department for audit. This breached Section 24I of the Financial Administration and Audit (FAA) Act, which requires submission, within four months after the end of the financial year. The AuGD is denied the opportunity to timely comment on whether the amounts allocated by the respective Appropriation Acts were spent in keeping with Parliament’s wishes.</p> <p><b>3.2.32</b> The Accounting Officer was advised to take measures to ensure that Appropriation accounts are prepared and submitted for audit to comply with the FAA Act. The recurrent Appropriation for 2015/16 was subsequently submitted.</p>

## Head 19000 Ministry of Economic Growth and Job Creation

ISSUE/CONCERNS																
<b>Governance</b>																
<p><b>Regulatory breach in submission of Appropriation Accounts</b></p> <p><b>3.2.33</b> The Ministry of Economic Growth and Job Creation which was established on March 7, 2016 has not submitted the 2015/16 Appropriation Accounts for certification with approved budget totaling \$4.41 billion for MEGCJ and MWLECC. The Appropriation Accounts for financial year 2016/2017 with approved budget of \$17.17 billion were submitted to the MoFPS and the Auditor General’s Department subsequent to the due date, on November 1, 2017, four months after the statutory deadline. The approved budgets for the respective periods are as follows:</p> <p>Approved budget (\$’000)</p> <table border="1"> <thead> <tr> <th>Period</th> <th>190000 Recurrent</th> <th>- 19000A - Capital A</th> <th>19000B - Capital B</th> </tr> </thead> <tbody> <tr> <td>2015-2016*</td> <td>1,240,423.0</td> <td>-</td> <td>145,049.0</td> </tr> <tr> <td>March 7 – March 31, 2016</td> <td>475,962.0</td> <td>72,476.0</td> <td>2,471,193.0</td> </tr> <tr> <td>2016-2017</td> <td>5,934,910.0</td> <td>533,320.0</td> <td>10,696,868.0</td> </tr> </tbody> </table> <p>*Former Ministry of Water, Land, Environment and Climate Change</p>	Period	190000 Recurrent	- 19000A - Capital A	19000B - Capital B	2015-2016*	1,240,423.0	-	145,049.0	March 7 – March 31, 2016	475,962.0	72,476.0	2,471,193.0	2016-2017	5,934,910.0	533,320.0	10,696,868.0
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ISSUE/CONCERNS
<p><b>Audit Committee and Internal Audit</b></p> <p><b>3.2.34</b> Despite being the subject of the Compliance Audit Report for the period, FY2014/15, the Audit Committee of the MEGJC continues to be non-functional as no meeting was held for the financial year 2016/2017. Therefore, we were unable to determine the extent of independent oversight of the work of the Internal Audit Unit to ensure the scope and audit approach are relevant to monitor the MEGJC's systems of internal controls.</p> <p><b>3.2.35</b> Further, we saw no evidence that the Chief Internal Auditor submitted written reports to the Accounting Officer, and only one quarterly report was submitted to the Financial Secretary.</p> <p><b>Recommendations</b></p> <p><b>3.2.36</b> The MEGJC should report the non-performance of the Audit Committee to the GoJ's Audit Commission so that corrective action can be taken. Internal Audit should make quarterly reports to the Financial Secretary, in accordance with the FAA Act.</p> <p><b>3.2.37</b> The MEGJC advised that the Internal Audit Unit was instructed to take the necessary steps to submit its quarterly reports to all concerned.</p> <p><b>Absence of Risk Management Framework</b></p> <p><b>3.2.38</b> The Ministry of Economic Growth and Job Creation has not implemented an enterprise wide risk management framework to facilitate a structured, consistent and continuous process for managing risk.</p> <p><b>3.2.39</b> MEGJC has since advised that a Risk Management and Mitigation Strategy Committee which has the responsibility to, inter alia, produce the risk management framework is now in place.</p>
Resource Management
<p><b>Unauthorized transfer of Funds between financial patterns at year-end.</b></p> <p><b>3.2.40</b> In March 2015 and March 2017, MEGJC and its predecessor MWLECC transferred \$21 million and \$10 million, respectively from the Recurrent Account to the Ministry's Calendar Deposit Account 2. We noted that, from the \$21 million transferred, payments amounting to \$15.88 million were made in June 2016 from the Calendar Deposit Account to purchase three motor vehicles, more than 14 months after</p>

<sup>2</sup> This Subsidiary Deposit account was established for the printing of calendars

ISSUE/CONCERNS

the transfer in March 2015. In addition, payments amounting to \$10.17 million were made in June 2017 from the Calendar Deposit Account to purchase two motor vehicles. This was in breach of Section 24L of the FAA Act which require the Accounting Officer to surrender unspent funds at the end of the financial year to the Consolidated Fund. Further, the MoFPS guidelines does not permit the Accounting Officer to transfer funds between financial patterns; that is, from Recurrent Head to Deposit. Consequently, the audit opinion for the Appropriation Accounts will be qualified.

**3.2.41** MEGJC should ensure that funds are spent in the financial year for which they are approved, and that unspent amounts at end of the financial year is surrendered to the Consolidated Fund.

**3.2.42** The Ministry subsequently informed us that the policy of lodging funds to the Ministry's Calendar Account has discontinued as they have opened individual subsidiary deposit account in the deposit account.

**Weaknesses in Fixed Assets Management**

**3.2.43** The MECJC did not maintain the requisite fixed asset records to reflect all the fixed assets under its control, including assets purchased for approximately \$15.03 million during FY2016/17, and those transferred to the Ministry when it was created in March 2016. We also identified assets that were not marked with the Ministry's unique identification codes. Additionally, the MEGJC did not present for audit inspection, three printers purchased at cost totalling \$3.03 million as these could not be located.

**3.2.44** For the period under review, the MEGJC paid \$1.78 million to repair and service fixed assets; however, the Ministry did not maintain the requisite Operational and Efficiency, and Office Machines and Equipment Records. These records are "life record" of the asset, which should record all the history of repairs, and general servicing. Therefore, in the absence of these control records, it would be difficult for the Ministry to determine whether it is economical to keep particular assets.

**3.2.45** The Ministry's failure to maintain proper records of its fixed assets further inhibits the Management's ability to safeguard the assets from misappropriation and misuse, and impedes its ability to control and efficiently manage the use of the assets under its stewardship

**3.2.46** The Ministry should implement proper systems of controls over its assets to ensure compliance with the MoFPS guidelines and recover any loss arising from officer(s) negligence.

**Bank Accounts not reconciled**

**3.2.47** MEGJC was not faithfully reconciling its bank account in keeping with the FAA Instructions. We found that for the period under review MEGCJ did not reconcile two