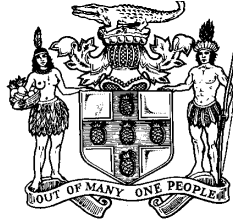




Auditor General's Department
Annual Report
Financial Year 2018/2019



REPORT OF THE AUDITOR GENERAL ON THE
FINANCIAL TRANSACTIONS AND FINANCIAL
STATEMENTS OF THE GOVERNMENT OF JAMAICA FOR
THE FINANCIAL YEAR ENDED MARCH 31, 2019
AND
A PERFORMANCE REPORT OF THE
AUDITOR GENERAL'S DEPARTMENT



ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE AUDITOR GENERAL AND **NOT TO ANY OFFICER BY NAME** AND THE FOLLOWING REFERENCE QUOTED:-

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December 20, 2019

The Hon Speaker
House of Representatives
Gordon House
81 Duke Street
Kingston

Dear Sir,

Pursuant to the provision of Section 122 (2) of the Jamaican Constitution, I have the honour to submit my report on the results of my examination of the accounts of the Island for the year ended 31st March 2019 for tabling in the House of Representatives.

Yours faithfully,

Pamela Monroe Ellis (Mrs.)
Auditor General

Issues/Concern(s)

3.2.89 The Financial Management Regulations permits the reallocation of budgetary provisions to meet operating expenses upon the prior approval of the Financial Secretary. However, contrary to the regulations, CMS did not obtain the requisite approval for the reallocation of approximately \$4.2 million over the three financial periods. Additionally, we found that retroactive approval was obtained from the Principal Executive Officer between three and five years after the financial year in which the expenditure occurred. Management’s failure to obtain the requisite approval not only circumvents the GoJ’s accountability process but also deprived the Ministry of Finance of information required to support the review and forecasting of the Department’s budgets.

Ineffective management of Departmental Advances

3.2.90 Our audit revealed that the CMS did not have an effective system for the review and monitoring of Departmental Advances. Consequently, as at March 31, 2014 advances totalling \$3.2 million remained outstanding, with approximately \$2.2 million being uncleared up to October 2019. We further noted that \$0.38 million was erroneously carried as outstanding, due to the use of incorrect expenditure classification codes in recording the recoveries and or carrying forward the outstanding balances from prior periods. Outstanding advances remaining on CMS’ accounts for protracted periods may prove difficult to recover thereby increasing the risk of financial loss. Also, in the absence of the supporting documents to clear the advances, it may be difficult to determine whether the amounts advanced were used for the intended purposes. The CMS intends to investigate and clear all outstanding advances related to the 2011/2012 to 2016/2017 financial years.

Untimely bank reconciliations

3.2.91 CMS delayed the preparation of bank reconciliation statements for its expenditure account between three and five years after the close of the 2011/2012, 2012/2013 and 2013/2014 financial years. Though an overdraft was not identified, the untimely preparation of the statements contributed to an unexplained negative balance of \$3.84 million in the Department’s Cash Book as at March 31, 2011, which was not corrected up to the time of this report. CMS’s tardiness in reconciling the bank accounts did not support the intended internal control over the management of the Government’s cash resources, making it possible for errors and irregularities to remain undetected for extended periods.

Regulatory breach in the preparation and maintenance of vouchers

3.2.92 We found that the CMS had adequate controls over the payment process, however we identified nine instances in which payments totalling \$3.4 million were made without the certifying and authorizing officers verifying that the goods or services were satisfactorily provided.

Head 40000: Ministry of Labour and Social Security (MLSS)

Issue/Concern(s)

Resource Management

3.2.93 Our audit of the MLSS financial and accounting records disclosed the following:

3.2.94 MLSS did not meet the Legislative requirement in the preparation of Appropriation Accounts as up to the time of reporting, accounts for the FYs 2017/2018 and 2018/19 with a budgetary allocation of approximately \$19.68 billion were not submitted (see table below). Additionally, MLSS took up to four years to submit accounts for the Recurrent Head financial years 2008/09, 2009/10, 2014/15 and 2015/16 and the Capital B Head financial years 2013/14 to 2016/17. MLSS’s failure to

Issue/Concern(s)

submit the accounts within the prescribed period denied Parliament and the MoFPS timely information in executing their oversight responsibilities of assessing the use of public funds as well as to guide the reviews and approval of subsequent budgets.

3.2.95 The MLSS advised that the delays were due to technical issues experienced with the Government Financial Management System that was implemented in February 2019 as well as staff shortages. The Ministry also indicated that recruitment has started and discussions are being held with the MOFPS to resolve the technical issues.

Weaknesses in Internal Control Systems

3.2.96 Our audit of the eight mentioned Appropriation Accounts disclosed that MLSS's review process failed to identify breaches and other material errors in the statements submitted for certification. Consequently, we were unable to certify these statements as they contained material errors.

Override of established budgetary controls

3.2.97 Despite previous audit reports, the MLSS operated contrary to the stipulated GOJ guideline when it exceeded approved budgetary allocation for Object 21: Compensation of Employees on 19 occasions by a total of \$75.58 million. In addition, the MLSS did not present the requisite virement approvals for the reallocation of appropriated funds totalling \$128.08 million, to facilitate excess expenditure on Capital B projects for the FY 2013/14, 2015/2016 and 2016/2017 and \$1.099 million on the 2014/15 Recurrent Account. Also, for the financial years 2015/16 and 2016/17, MLSS recorded expenditure totalling \$41.06 million on six activities for which there were no approved budgetary provisions.

3.2.98 Further, MLSS did not obtain the requisite approval to reallocate budgeted funds of \$323.18 million for Capital B Head and \$269.272 million for Recurrent. The Accounting Officer granted the approval three and four year respectively, after the expenditure was incurred. The GoJ Virement Policy does not permit the Accounting Officer to reallocate voted funds to, from and within Object 21- Employees Compensation, public investment projects and reallocate expenditure to any service, programme or activity that is not provided for by an Appropriation Act.

3.2.99 MLSS's continuous override of established budgetary controls not only undermined the GoJ oversight accountability process but also increases the risk of budgets overruns.

3.2.100 The MLSS advised that changes in the GOJ's Virement Policy resulted in the non-approval of virement.

Non-submission of supporting documents to verify expenditure

3.2.101 MLSS's did not comply with the regularity requirement to submit journal vouchers and supporting documents to substantiate adjustments of \$9.7 million in the accounts. As such we were unable to authenticate whether these are proper charges on the public purse.

3.2.102 The MLSS assured us that efforts are being made to locate the journal vouchers for audit.

Recommendation

Issue/Concern(s)

3.2.103 Timely, reliable, and accurate financial information is essential to support the strategic decision-making process. As such, MLSS should urgently implement proper systems to correct the systemic weaknesses in the preparation of the Accounts to ensure the accuracy of the financial information presented and adherence to the GoJ guidelines.

Approved Budget	Capital B (\$000)	Recurrent (\$000)
2017/18	8,279,871	-
2018/19	7,973,764	3,429,439
TOTAL	16,253,635	3,429,439

Source: Approved Estimates of Expenditure

Head 40000: Ministry of Labour and Social Security – Programme of Advancement Through Health and Education. Jamaica Social and Economic Inclusion of Persons with Disabilities (JSEIPD) Project

Issue/Concern(s)	Financial Exposure
Project Management	