



Auditor General's Department Annual Report

Financial Year 2019/2020

REPORT OF THE AUDITOR GENERAL ON THE
FINANCIAL TRANSACTIONS AND FINANCIAL
STATEMENTS OF THE GOVERNMENT OF
JAMAICA FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2020 AND
A PERFORMANCE REPORT OF THE AUDITOR
GENERAL'S DEPARTMENT



AUDITOR GENERAL'S DEPARTMENT

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JAMAICA

ANY REPLY OR SUBSEQUENT REFERENCE
TO THIS COMMUNICATION SHOULD BE
ADDRESSED TO THE AUDITOR GENERAL
AND **NOT TO ANY OFFICER BY NAME**
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December 30, 2020

*The Honourable Speaker
House of Representatives
Gordon House
81 Duke Street
Kingston*

Dear Sir,

Pursuant to the provision of Section 112 (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 2020 for tabling in the House of Representatives.

The report is a compendium of the performance of the Auditor General's Department for the period December 2019 – November 2020 and all audits conducted up to November 2020.

Yours faithfully,

*Pamela Monroe Ellis (Mrs.)
Auditor General*

Issue/Concern	Financial Exposure
Governance	
<p>3.2.160. MLSS has since indicated that it notes the AuGD's concerns regarding its failure to act upon the Internal Auditor's report and outlined steps the Ministry will be taking to have the concerns remedied. Some of the steps outlined include investigating the overpayments of grants to PATH beneficiaries, analysing fixed assets with the intention of placing items that were not previously inventoried on the IMCS, reporting future accidents to the relevant entities and reviewing overtime claims to prevent further discrepancies.</p> <p>What should be done</p> <p>3.2.161. Management should, without further delay, provide the requisite response to the findings of the Internal Auditor. The response should include, amongst other things, a timetable of implementation of the IA's recommendations to correct the systematic internal control weaknesses, ensuring adherence to established GoJ's guidelines and holding delinquent officers accountable in the execution of their duties.</p> <p>3.2.162. MLSS should also investigate the incidence of irregularities and recover sums paid that were not due. Where losses occurred, the sums should be recovered from the responsible officers and a report should be made forthwith to the AuGD and the Financial Secretary for surcharge action to be imposed in keeping with Section 20 of the FAA Act.</p>	

HEAD 40000: MINISTRY OF LABOUR AND SOCIAL SECURITY – NATIONAL INSURANCE SCHEME

Issue/Concern	Financial Exposure
Governance	
<p>3.2.163. The audit of the National Insurance Scheme (NIS) consolidated financial statements, accounting records and financial transactions for the financial years 2014 and 2015 revealed the following:</p> <p>Failure to account for employers' contributions</p> <p>3.2.164. NIS did not have an effective system to account for employers' contributions. Consequently, at March 31, 2015, the Scheme did not account for outstanding employers' contributions totalling \$2.95 billion. Also, the NIS did not determine the outstanding employers' contributions for the financial year ended March 31, 2014. Therefore, the outstanding employers' contributions for year ended March 2014 was not disclosed in the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income and Notes to the Financial Statements in keeping with the requirements of the International Accounting Standards (IAS 18), Revenue Recognition. This</p>	\$2.95 billion

Issue/Concern	Financial Exposure
Governance	
<p>omission may have the impact of materially misstating the revenue for the reported period. Further, NIS's failure to conduct proper checks and monitoring might result in some delinquent employers being overlooked and contributors' rights to benefits under the Scheme may be denied.</p> <p>3.2.165. The MLSS subsequently advised that it recognizes the need for recording the outstanding employers' contributions within its financial statements. As such, the Compliance Module of the recently introduced Jamaica National Insurance Scheme System, scheduled for completion by the fourth quarter of the FY 2021/22, will interface with Tax Administration Jamaica thereby providing timely balances on Employers' Contributions.</p> <p>NIS tardiness in preparing monthly bank reconciliation statements and poor cash management led to unauthorised overdrafts</p> <p>3.2.166. Our review of the bank reconciliation statements for the Financial year 2014/2015, revealed that the requisite monthly bank reconciliation statements for seven bank accounts were prepared on June 1, 2015: one to twelve months after the prescribed timeframe for preparation. We also noted that the bank reconciliation statements were not properly reconciled as the statements included \$5.38 million in reconciling items, relating to overstatement and understatement of lodgements and pension vouchers from as far back as April 2014, that were not resolved with the financial institution or updated to the Fund's general ledger. Also, the Bank reconciliation statements bore no evidence of review by an independent officer.</p> <p>3.2.167. The NIS's tardiness in reconciling the bank accounts did not support the intended internal control over the Fund's cash resources, making it possible for fraud and irregularities to remain undetected for protracted periods. Also, NIS's failure to prepare correct and timely bank reconciliation statements deprives stakeholders of complete and accurate financial information on which to make decisions.</p> <p>3.2.168. Further, NIS failure to perform timely reconciliation of its bank accounts and exercise proper cash management led to the Bank's imposition of \$5.99 million in overdraft charges against the Fund. We identified that on three occasions during 2014/2015, NIS's Old Age Bank Account went in an overdraft position, due to insufficient funds. NIS did not present evidence that the prior written approval of the Financial Secretary was obtained for incurring these overdrafts.</p> <p>3.2.169. Management has since taken steps to bring the bank reconciliation statements up to date and subsequently advised that the NIS is liaising with the Bank for the correction of amounts incorrectly captured on its Statements. The MLSS further advised that the Ministry had written to the Bank on at least two occasions requesting that cheques should be returned to the Ministry in the event that there are insufficient funds in the bank accounts and requested a reversal of these charges.</p>	<p>\$5.38 million</p> <p>\$5.99 million</p>