

**GOJ/IDB LOAN CONTRACT NO. 2889/OC – JA  
INTEGRATED SOCIAL PROTECTION &  
LABOUR PROGRAMME (ISPL)  
PROGRAMME OF ADVANCEMENT  
THROUGH HEALTH AND EDUCATION  
PERIOD APRIL 1, 2013 – MARCH 31, 2014**

**VISION STATEMENT**

***“Promoting a Better Country Through Effective  
Audit Scrutiny of Government Operations”***

**GOJ/IDB LOAN CONTRACT NO. 2889/OC – JA  
INTEGRATED SOCIAL PROTECTION &  
LABOUR PROGRAMME (ISPL)  
PROGRAMME OF ADVANCEMENT  
THROUGH HEALTH AND EDUCATION  
PERIOD APRIL 1, 2013 – MARCH 31, 2014**

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AUDITOR GENERAL'S DEPARTMENT  
40 KNUTSFORD BOULEVARD  
P.O. BOX 455  
KINGSTON 5  
JAMAICA

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  
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July 30, 2014

**GOJ/IDB LOAN CONTRACT NO. 2889/OC-JA**  
**PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION (PATH)**  
**INTEGRATED SOCIAL PROTECTION & LABOUR PROGRAMME (ISPL)**  
**PERIOD DECEMBER 13, 2012 - MARCH 31, 2014**  
**AUDIT REPORT ON THE FINANCIAL STATEMENTS**

**REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements which comprise the Statement of Cash Flow, the Statement of Cumulative Investments, the Statement of Budget and Expenditure and a summary of significant accounting policies and other explanatory notes for the Integrated Social Protection and Labour Programme executed by the Ministry of Labour and Social Security and financed by the Inter American Development Bank under Loan Agreement No. 2889/OC-JA and the Government of Jamaica, for the year ended March 31, 2014.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The executing agency, the Ministry of Labour and Social Security, is responsible for the preparation and fair presentation of these financial statements, in accordance with Internal Public Sector Accounting Standards (IPSAS) Cash Basis. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether, due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Ministry is also required to present audited financial statements to the IBRD.

**AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI) and the Inter American Development Bank's requirements, specifically the Financial Management Policy for IDB-financed projects (OP-273-1) and the Financial Management Operational Guidelines (OP-274-1). Those standards require that I comply with ethical requirements and plan and perform the

audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

These Statements and the supporting accounting transactions and records were examined in accordance with auditing standards recommended by the INTOSAI and accordingly, included such test and other procedures as I considered necessary. I have obtained all the information and explanations which I required.

### OPINION


In my opinion, the appended financial statements reflect a true and fair view of the cash flow and the statement of cumulative investments for the project as of and for the year ended March 31, 2014 in accordance with Internal Public Sector Accounting Standards (IPSAS) Cash Basis and the accounting policies described in Note 3.

### REPORT ON THE ADDITIONAL REQUIREMENTS OF THE IDB LOAN CONTRACT No. 2889/OC-JA

I have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit. In my opinion, proper accounting records have been maintained and the Financial Statements are in agreement therewith and give the information required in the manner so required.



.....  
Auditor General of Jamaica



.....  
Date





**STATEMENT OF CASH RECEIVED AND DISBURSEMENT MADE  
INTEGRATED SOCIAL PROTECTION & LABOUR PROGRAMME  
FOR SIXTEEN MONTHS MARCH 31, 2014  
(Expressed in US dollars)**

		Inter-American Development Bank	Government of Jamaica	TOTAL
<b>Cash Received</b>				
	Notes			
Accumulated cash at beginning of period		-	-	-
Activity during the year				
Disbursements		16,980,766.79	31,013,505.87	47,994,272.66
Reimbursement of payments		3,305,608.21	-	3,305,608.21
				-
Total Activity during the year		20,286,375.00	31,013,505.87	51,299,880.87
<b>Total Cash Received</b>	<b>4</b>	<b>20,286,375.00</b>	<b>31,013,505.87</b>	<b>51,299,880.87</b>
<b>Disbursement Made</b>				
Activity during the year				
Investment for the period	5	20,257,881.49	30,654,193.68	50,912,075.17
Total Activity during the year		20,257,881.49	30,654,193.68	50,912,075.17
<b>Total Cash Disbursement as of March 31, 2014</b>		<b>20,257,881.49</b>	<b>30,654,193.68</b>	<b>50,912,075.17</b>
<b>Available Cash Balance as of March 31, 2014</b>	<b>6</b>	<b>28,493.51</b>	<b>359,312.19</b>	<b>387,805.70</b>

  
Stacey - Ann Johnson Kerr  
Financial Manager

  
Elsa Marks - Willis  
Project Director

  
Alvin McIntosh  
Permanent Secretary



**STATEMENT OF CUMULATIVE INVESTMENTS  
INTEGRATED SOCIAL PROTECTION & LABOUR PROGRAMME  
FOR THE YEAR ENDED MARCH 31, 2014  
(Expressed in US dollars)**

INVESTMENT CATEGORY		Notes	BEGINNING OF THE YEAR (CUMULATIVE)			CURRENT YEAR			CUMULATIVE THROUGH 3 - 31- 2014				
			IDB	GOJ	TOTAL	IDB	GOJ	TOTAL	IDB	GOJ	TOTAL		
1.0	1.0	Cash Transfers to Vulnerable Groups	7	-	-	-	20,000,000.00	30,331,676.17	50,331,676.17	20,000,000.00	30,331,676.17	50,331,676.17	
		PATH Grants		-	-	-	20,000,000.00	30,331,676.17	50,331,676.17	20,000,000.00	30,331,676.17	50,331,676.17	
2.0	2.0	Strengthening of PATH		-	-	-	35,741.62	118.77	35,860.39	35,741.62	118.77	35,860.39	
		Parenting Conditions		-	-	-	11,892.21	118.77	12,010.98	11,892.21	118.77	12,010.98	
		MIS Upgrade		-	-	-	-	-	-	-	-	-	
		Payment Delievery Systems		-	-	-	-	-	-	-	-	-	
		Strengthening early stimulation services		-	-	-	23,849.41	-	23,849.41	23,849.41	-	23,849.41	
		Technology for social marketing		-	-	-	-	-	-	-	-	-	
	3.0	Improving Labor Market Outcomes		-	-	-	36,458.04	54,954.42	91,412.46	36,458.04	54,954.42	91,412.46	
		Institutional strengthening to ELE		-	-	-	36,458.04	54,954.42	91,412.46	36,458.04	54,954.42	91,412.46	
		Development of national employment policy		-	-	-	-	-	-	-	-	-	
		One the job training program		-	-	-	-	-	-	-	-	-	
	4.0	Modernization of the SFP		-	-	-	168,440.56	-	168,440.56	168,440.56	-	168,440.56	
3.0		MIS upgrade		-	-	-	2,958.35	-	2,958.35	2,958.35	-	2,958.35	
		School feeding policy and organization design		-	-	-	165,482.21	-	165,482.21	165,482.21	-	165,482.21	
		SFP operations manual		-	-	-	-	-	-	-	-	-	
	5.0	Program Management, Audit and Evaluation		-	-	-	17,241.27	267,444.32	284,685.59	17,241.27	267,444.32	284,685.59	
		Program management		-	-	-	17,241.27	267,444.32	284,685.59	17,241.27	267,444.32	284,685.59	
		Evaluation of revised health condition		-	-	-	-	-	-	-	-	-	
		Evaluation of OJT/STW		-	-	-	-	-	-	-	-	-	
		New technologies evaluation		-	-	-	-	-	-	-	-	-	
		Financial audit		-	-	-	-	-	-	-	-	-	
	6.0	Unallocated				-			-				
TOTALS					-	-	-	20,257,881.49	30,654,193.68	50,912,075.17	20,257,881.49	30,654,193.68	50,912,075.17



**STATEMENT OF BUDGET & EXPENDITURE BY CATEGORY & SOURCE OF FUNDING**  
**INTEGRATED SOCIAL PROTECTION & LABOUR PROGRAMME**  
**FOR SIXTEEN MONTHS ENDED MARCH 31, 2014**  
*(Expressed in US dollars)*

DESCRIPTION	Notes	BUDGET			CUMULATIVE EXPENDITURE AS AT MARCH 31, 2014			BALANCE AS AT MARCH 31, 2014		
		IDB	GOJ	TOTAL	IDB	GOJ	TOTAL	IDB	GOJ	TOTAL
<b>1 Cash Transfers to Vulnerable Groups</b>	<b>8</b>	<b>20,000,000.00</b>	<b>-</b>	<b>20,000,000.00</b>	<b>20,000,000.00</b>	<b>30,331,676.17</b>	<b>50,331,676.17</b>	<b>-</b>	<b>(30,331,676.17)</b>	<b>(30,331,676.17)</b>
PATH Grants		20,000,000.00		20,000,000.00	20,000,000.00	30,331,676.17	50,331,676.17	-	(30,331,676.17)	(30,331,676.17)
<b>2 Strengthening of PATH</b>		<b>3,050,000.00</b>	<b>-</b>	<b>3,050,000.00</b>	<b>35,741.62</b>	<b>118.77</b>	<b>35,860.39</b>	<b>3,014,258.38</b>	<b>(118.77)</b>	<b>3,014,139.61</b>
Parenting Conditions		1,150,000.00		1,150,000.00	11,892.21	118.77	12,010.98	1,138,107.79	(118.77)	1,137,989.02
MIS Upgrade		350,000.00		350,000.00	-	-	-	350,000.00	-	350,000.00
Payment Delivery Systems		300,000.00		300,000.00	-	-	-	300,000.00	-	300,000.00
Strengthening early stimulation services		1,000,000.00		1,000,000.00	23,849.41	-	23,849.41	976,150.59	-	976,150.59
Technology for social marketing		250,000.00		250,000.00	-	-	-	250,000.00	-	250,000.00
<b>3 Improving Labor Market Outcomes</b>		<b>3,576,000.00</b>	<b>-</b>	<b>3,576,000.00</b>	<b>36,458.04</b>	<b>54,954.42</b>	<b>91,412.46</b>	<b>3,539,541.96</b>	<b>(54,954.42)</b>	<b>3,484,587.54</b>
Institutional strengthening to ELE		1,337,000.00		1,337,000.00	36,458.04	54,954.42	91,412.46	1,300,541.96	(54,954.42)	1,245,587.54
Development of national employment policy		276,000.00		276,000.00	-	-	-	276,000.00	-	276,000.00
One the job training program		1,963,000.00		1,963,000.00	-	-	-	1,963,000.00	-	1,963,000.00
<b>4 Modernization of the SFP</b>		<b>1,224,000.00</b>	<b>-</b>	<b>1,224,000.00</b>	<b>168,440.56</b>	<b>-</b>	<b>168,440.56</b>	<b>1,055,559.44</b>	<b>-</b>	<b>1,055,559.44</b>
MIS upgrade		754,000.00	-	754,000.00	2,958.35	-	2,958.35	751,041.65	-	751,041.65
School feeding policy and organization design		270,000.00		270,000.00	165,482.21	-	165,482.21	104,517.79	-	104,517.79
SFP operations manual		200,000.00	-	200,000.00	-	-	-	200,000.00	-	200,000.00
<b>5 Program Management, Audit and Evaluation</b>		<b>1,900,000.00</b>	<b>-</b>	<b>1,900,000.00</b>	<b>17,241.27</b>	<b>267,444.32</b>	<b>284,685.59</b>	<b>1,882,727.96</b>	<b>(267,444.32)</b>	<b>1,615,283.64</b>
Program management		1,050,000.00		1,050,000.00	17,241.27	267,444.32	284,685.59	1,032,727.96	(267,444.32)	765,283.64
Evaluation of revised health condition		350,000.00		350,000.00	-	-	-	350,000.00	-	350,000.00
Evaluation of OJT/STW		350,000.00		350,000.00	-	-	-	350,000.00	-	350,000.00
New technologies evaluation		50,000.00		50,000.00	-	-	-	50,000.00	-	50,000.00
Financial audit		100,000.00		100,000.00	-	-	-	100,000.00	-	100,000.00
<b>6 Unallocated</b>		<b>250,000.00</b>	<b>-</b>	<b>250,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000.00</b>	<b>-</b>	<b>250,000.00</b>
<b>TOTALS</b>		<b>30,000,000.00</b>	<b>-</b>	<b>30,000,000.00</b>	<b>20,257,881.49</b>	<b>30,654,193.68</b>	<b>50,912,075.17</b>	<b>9,742,087.74</b>	<b>(30,654,193.68)</b>	<b>(20,912,105.94)</b>





**GOVERNMENT OF JAMAICA/ INTER – AMERICAN DEVELOPMENT BANK  
INTEGRATED SOCIAL PROTECTION AND LABOUR PROGRAMME  
LOAN 2889/ OC – JA  
PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION  
AUDITED PROJECT FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2014**

## **Notes to the Financial Statements**

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### **1) PROJECT OBJECTIVE**

The general objective of this Project is to support the Government of Jamaica efforts to improve human capital and labor market outcomes of the poor by enhancing the efficiency and effectiveness of key social protection programs.

### **2) COMPONENTS & OBJECTIVES**

#### ***Component I. Cash Transfers***

This component will finance cash transfers to beneficiaries. Financing will only support grants to children and pregnant women who were determined to be eligible by the Proxy Means Test (PMT) and who will receive grants only if they comply with their co responsibilities as established in the Operations Manual of the Project (OMP).

#### ***Component II .Strengthening of PATH***

This component will support the implementation of a pilot of parenting education workshops for PATH beneficiary households with 2-6 year old children. The workshops would focus *inter alia* on nutrition, discipline, safety, learning, and health needs of children. Specifically, the component will provide resources to design parenting classes, prepare training materials, support trainers, implement parenting workshops and provide resources for institutional coordination to implement the pilot.

This component will also finance:

- (ii) Upgrading of the PATH management information system
- (iii) An assessment of alternative payment systems;



(iv) Introduction of new technologies to deliver payments (on a pilot basis) and social messages (on nutrition, parenting and compliance with co responsibilities) via cell phones; and

(v) The upgrade of the services, facilities and equipment of the MLSS Early Stimulation Program for children with disabilities in order to improve PATH services to beneficiary children with disabilities.

### ***Component III. Improving Labour Market Outcomes***

This component will support the development of stronger linkages between social assistance and employment and strengthen institutional capacity for active labour market policies.

This component will finance the introduction of a pilot on-the-job (OJT) program that will place PATH household members in private sector OJT. To support a stronger set of national labour market policies into which PATH beneficiaries may be integrated, two additional sets of activities will be financed. First, an expansion of the current Electronic Labour Exchange (ELE) towards a National Employment Portal that will be financed with the following improvements: (i) development of a private sector strategy and use of job solicitors (promoters) to increase job listings in growth sectors; (ii) promotion of partnerships with the private sector through the development of satellite facilities in private sector entities and in the parishes; and (iii) marketing, system improvements, and staff training. Secondly, a series of baseline studies will be financed to support the development and consultations on a national employment policy and strategy.

### ***Component IV. Modernization of the School Feeding Program (SFP)***

This component will support modernization of the SFP, including development of a SFP management information system that will communicate in real time with the PATH management information system in order to facilitate tracking of feeding subsidies to PATH students.

The component will also finance: (i) a feasibility study that will make recommendations on hardware and software requirements for data capture at the central, regional and school levels; (ii) technical assistance for software development; (iii) the purchase of computer hardware; (iv) staff training; and (v) management information system maintenance. This component will finance activities to advance preparation of the School Feeding Policy that addresses school feeding at all levels of the education system, including technical assistance and stakeholder workshops to prepare the policy. In order to strengthen the administrative structure of the SFP within the proposed new

organization of the Ministry of Education (MOE), the component will provide technical assistance to support administrative design of the SFP within the new structure of the MOE and to prepare a SFP operations manual. The component will provide resources to print the manual and train ministry and school staff in the procedures as reflected in the manual.

#### **Component V. Program Management, Audit and Evaluation**

This component will focus on strengthening knowledge about Project impacts. Specifically, this component will finance the following evaluations: (i) an impact and process evaluation of the revised conditions (introduction of parenting education workshops) for PATH beneficiaries; and (ii) an impact and process evaluations of the OJT under the STW Program. This component will also finance audits as required by the Bank. A process audit of the new technologies will be undertaken by the MLSS Internal Audit Department. A Monitoring and Evaluation (M&E) Officer, to be financed by the Project and assigned to PATH, will support all activities under this component. An Internal Auditor, to be financed by the Project and who will be assigned to the MLSS Internal Audit Unit and report to the MLSS Internal Auditor, will provide process auditing support and strengthen capacity to audit distribution of cash grants. Finally, to meet the increase in activities, the component will finance technical assistance to increase human resource capacity for Project execution, including financing of key Project positions in the PEU and technical support for implementation of the school feeding and labor components.

#### **MANAGEMENT REPORT**

The Annual Report is submitted by management for the Programme of Advancement Through Health and Education (PATH) for the period December 2012 to March 31, 2014.

#### **AUDITING OF THE PROJECT**

The Project is currently audited by the Auditor's General Department.

Auditor General's Department  
40 Knutsford Boulevard  
Kingston 5



## 2) The Budget

The Budget represents amounts for the life of the Project as stated in the Loan Agreement.

## 3) Summary of Accounting Policies

### *I) Basis of Preparation*

The Project Accounting Unit (PAU) uses the cash basis of accounting to account for the project's transactions. This principle requires recognizing income when funds are received rather than when requested and expenses are recognized when payment is made rather than when obligations are incurred. Since the main objective of these financial statements is to disclose the sources and uses of funds, it is not necessary to present information adjusted for inflation.

### *II) Currency Translation*

Transactions are entered in local currency; however, transactions are converted for preparation of the Financial Statements. Expenditure is converted using the Bank of Jamaica exchange rate .While receipts are converted by applying the National Commercial Bank exchange rate on the day of receipt.

### *III) Fluctuation rate and fees*

All fees and charges for un-disbursed loan funds, as well as losses due to exchange rate fluctuations are not considered eligible project costs and are absorbed by the Government of Jamaica.

### *IV) Equipment and other fixed assets*

Equipment and other fixed assets procured with project resources are recorded at their acquisition cost at the date of purchase. No depreciation is charged on these assets and as such no depreciation charge is reflected on these financial statements.

V) *Exchange Rate*

Reimbursement requests submitted to the **Inter- American Development Bank** in Jamaican Dollars were converted using the Bank of Jamaica exchange rates submitted by the **Inter- American Development Bank**.

Expenses paid from the Jamaican Dollar Project Account, were converted by applying the Bank of Jamaica exchange. The rates of exchange applied ranged between JMD 91.98 and JMD 109.80 to USD 1.00

4) **Total Cash Received**

During the period under review the **51.3 Million USD**, the Inter-American Bank contributed **20.2 Million USD or 40%**, while the **Government of Jamaica** contributed **31.0 Million USD or 63%**.

The Inter- American Development Bank advanced approximately **16.9 Million USD** for the payment of cash transfers and administrative support. The reminding **3.3 Million USD** was reimbursed to the Government of Jamaica for cash payment prior to the signing of the agreement. This is based on Section 3.3 of the loan agreement.

5) **Investment for the period**

The amount of **50.9 Million USD** was invested during the period; **20.2 Million USD or 40%** is accredited to the Inter- American Development Bank and **30.7 Million USD or 60%** the Government of Jamaica.



## 6) Available Cash Balance

The available cash balance as of March 31, 2014 in the Program's bank accounts is **28,493.51. USD**, which includes earned interest and foreign exchange gain during the period.

### *Transfer to Administrative Account*

<i>Balance BVF</i>	-
<i>Add: Transferred during the period</i>	286,375.00 USD
<i>Less: Utilized as at March 31, 2014</i>	257,881.49 USD
<i>Balance as at March 31, 2014</i>	<u>28,493.51 USD</u>

Administrative Bank Account No. 231 085 483	28,493.51 USD
Designated Bank Account No. 234 333 445	-
	28,493.51 USD

## 7) Total Investment

The total investment during the period is 50.9 Million USD. Figure 1 below represents the total investment by the Inter-American Development Bank of 20.2 Million USD expressed by component as a percentage of total expenditure attributed to the Bank. The amount of 30.7 Million USD was contributed by the Government of Jamaica.



Figure1. Total expenditure attributed to the Inter – American Development Bank



## 8) Budgeted & Expenditure

The Inter – American Development Bank has allocated **30 Million USD** for the Project, to date 67.5 % has been utilised for component. Figure 2 represents the actual expenditure attributed to the Inter – American Development Bank versus the budgeted amount for the life of the Project.

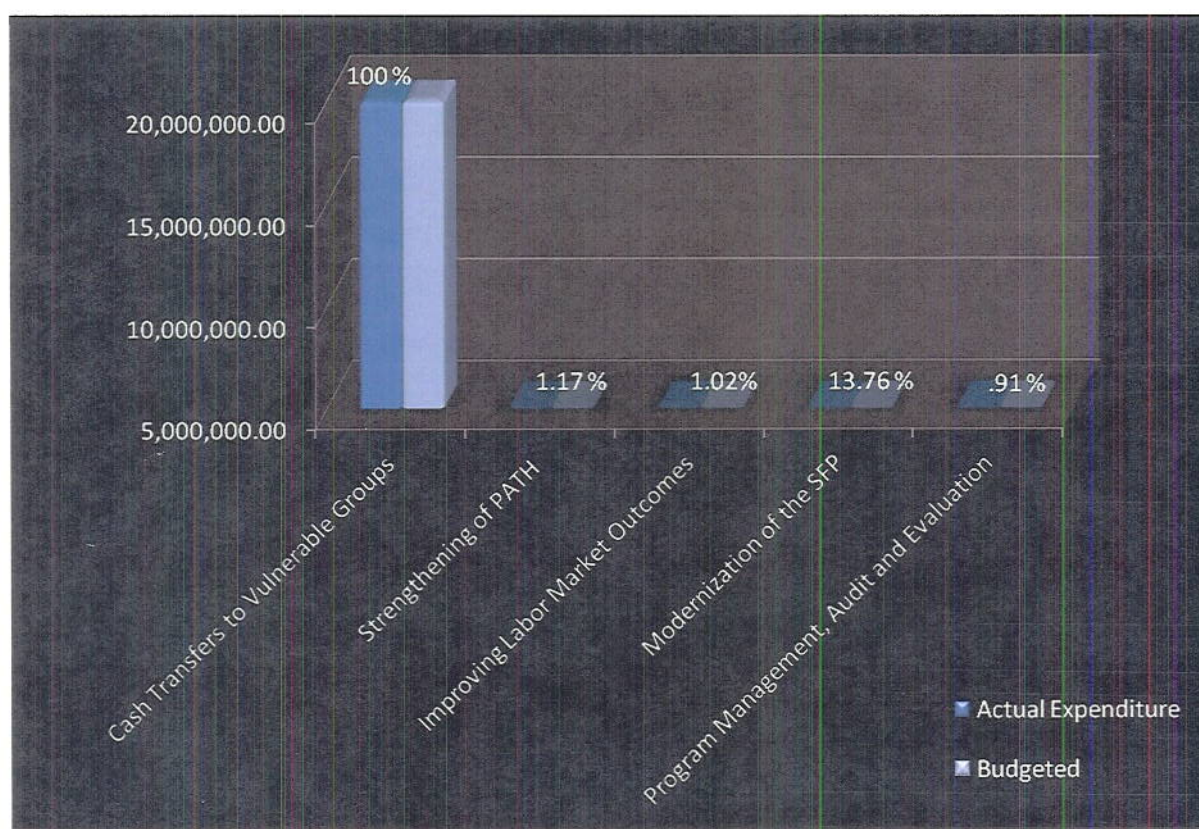


Figure 2. Actual versus Budgeted

**A. Comparison of Estimated & Actual Investment Cost for Period**

INVESTMENT COST		
APPROVED BUDGETED USD	ACTUAL EXPENDITURE USD	REMARKS
20.6 Million USD	20.5 Million USD	1) The budgeted amount included in the table was calculated by using the approved Government of Jamaica estimates. This was converted using Bank of Jamaica annual exchange rate for 2012 and 2013. The variance of <b>.10 Million USD</b> is a result of budgeted activities not being implemented as planned.

**B. Disbursement Request for Period**

DATE	NO	AMOUNTS (US\$)		
		REQUESTED	APPROVED	RECORDED
Dec 19, 2012	2	13,600,000.00	13,600,000.00	13,600,000.00
June 3, 2013	3	3,094,391.79	3,094,391.79	3,094,391.79
Nov 12, 2013	6	249,000.00	249,000.00	249,000.00
<b>Total</b>		<b>16,943,391.79</b>	<b>16,943,391.79</b>	<b>16,943,391.79</b>





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JAMAICA

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July 30, 2014

**GOJ/IDB LOAN CONTRACT NO. 2889/OC-JA**  
**PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION (PATH)**  
**INTEGRATED SOCIAL PROTECTION AND LABOUR PROGRAMME (ISPL)**  
**PERIOD DECEMBER 13, 2012 - MARCH 31, 2014**  
**AUDIT REPORT ON THE SYSTEM OF INTERNAL CONTROL**

I have audited the Statement of Cash Flow, the statement of Budget and Expenditure and the Statement of Cumulative Investments for the Integrated Social Protection and Labour Programme executed by the Ministry of Labour and Social Security and financed by the Inter American Development Bank under Loan Agreement No. 2889/OC-JA and the Government of Jamaica and have issued my report thereon dated July 23, 2014.

I conducted my audit in accordance with the Standards of the International Organization of Supreme Audit Institutions (INTOSAI), and the Inter American Development Bank's requirements, specifically the Financial Management Policy for IDB-financed projects (OP-273-1) and the Financial Management Operational Guidelines (OP-274-1). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Project's financial statements are free of material misstatements.

The management of the Integrated Social Protection and Labour Programme is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risks of financial information misstatement and safeguard the assets of the project, including construction works and other procured goods. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract, and transactions are recorded properly to permit the preparation of the Statement of Cash Flow, in conformity with the basis of accounting described in Note 3 (I) to the financial statements. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any

evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the project's financial statements for the year ended March 31, 2014, I obtained an understanding of the system of internal control. With respect to the system of internal control, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing an opinion on the projects financial statements and not to express an opinion on the effectiveness of the system of internal control. Accordingly, I do not express such an opinion.

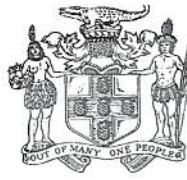
My audit disclosed certain matters involving the system of internal control and its operations that I have reported to management of the Integrated Social Protection and Labour Programme in a separate letter dated July 23, 2014 a copy of which is attached to this report.



.....  
Auditor General of Jamaica



.....  
Date



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July 23, 2014

Mrs. Elsa Marks-Willis  
Acting Project Director  
Ministry of Labour and Social Security  
14 National Heroes Circle  
Kingston 4

Dear Mrs. Marks-Willis,

ACCOUNTS 2013/2014

AUDIT INSPECTION

PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION – INTEGRATED SOCIAL  
PROTECTION AND LABOUR PROGRAMME

GOJ/IDB LOAN No. 2889/ OC- JA

Please see enclosed Inspection Report for the audit of the Programme of Advancement Through Health and Education – Integrated Social Protection and Labour Programme for the financial year 2013/14.

Yours sincerely,

Icilyn N. Cooper (Ms.)  
for Auditor General



## **BACKGROUND**

The Integrated Social Protection and Labour Programme (ISPL) is a project under the Programme of Advancement Through Health and Education (PATH) and is jointly funded by the government of Jamaica (GOJ) and the Inter-American Development Bank (IDB). The Programme is funded by an amount of US\$30M by the IDB and matched by an amount of US\$24.8M by the GOJ.

The general objective of the Programme is to support the Government of Jamaica's efforts to improve human capital and labor market outcomes of the poor by enhancing the efficiency and effectiveness of key social protection programs.

In order to achieve the above-captioned objective, the Project will support the following five (5) components:

1. Cash Grants
2. Strengthening of PATH
3. Improving Labour Market Outcomes
4. Modernization of the School Feeding Programme
5. Programme Management, Audit and Evaluation

## **OBJECTIVES**

The audit was designed to ascertain whether:

- i. Internal controls and accounting systems were adequate;
- ii. Financial statements fairly represented the transactions of the Programme;
- iii. Activities of the Programme were conducted in accordance with the policies and regulations of the Government of Jamaica, the IDB and the Loan Agreement;
- iv. Assets were adequately safeguarded and utilized to the benefit of the Programme;
- v. Statement for the Special Bank Account used for managing the funds provided by the Bank (IDB) present fairly the availability of funds at the end of the period audited;
- vi. Expenditures included in the requests for reimbursements are legitimate;
- vii. Loan funds have been used only for the Programme's intended purposes.



## **PROJECT DURATION**

The estimated life of the project is four years from December 13, 2012 to December 31, 2016.

## **MANAGEMENT'S RESPONSIBILITY**

Management is responsible for designing, implementing and maintaining internal controls relevant to the activities of the project. It is the responsibility of management to ensure that the internal controls are designed and managed in accordance with the Financial Administration and Audit (FAA) Act, other government regulations, the terms of the Loan Agreement, IDB guidelines and best practices.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to independently express an opinion on the effectiveness of internal controls maintenance of accounting records and compliance with the contractual clauses based on our audit. Our work was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI), Fundamental Auditing Principles and Guidelines for Compliance Audit. Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the activities, financial transactions and information reflected in the accounts are, in all material respects, in compliance with the guidelines issued by the IDB, the terms of the Loan Agreement and the Government of Jamaica Regulations.

## **AUDIT SCOPE**

The accounting records and transactions for the period April 2013 to March 2014 were examined. The scope of the examination included the following:

- i. Review of contracts for goods and services;
- ii. Evaluation of the Programme's accounting records and examination and assessment of the Programme's internal control structure;
- iii. Test for compliance with the financial and accounting provisions of the grant agreement, procurement guidelines and applicable laws and regulations as they relate to the Programme;
- iv. Verification of IDB reimbursement to the Consolidated Fund Account; and
- v. Assessment of the general progress of the project and examination of the Financial Statements.

## EXECUTIVE SUMMARY

The Integrated Social Protection and Labour Programme (ISPL) is a supplement to the Social Protection Project (SPP) and the Social Protection Support to the Food Price Crisis (SPSFPC) that falls under the Programme of Advancement Through Health and Education (PATH). The agreement was signed on December 13, 2012 with the general objective of supporting the Government of Jamaica's efforts to improve human capital and labor market outcomes of the poor by enhancing the efficiency and effectiveness of key social protection programs. This overall objective will be achieved under five (5) components namely; Cash grants, Strengthening of PATH, Improving Labour Market Outcomes, Modernization of the School Feeding Programme and Programme Management, Audit and Evaluation.

The Project is funded through the Inter-American Development Bank (IDB) in the sum of US\$30,000,000.00 and the closing date for withdrawal is December 31, 2016.

Our examination of the financial transactions and accounting records of the Project for the 2013/2014 financial year disclosed a generally satisfactory state of affairs. However, it was noted that the rate of implementation of the project has been relatively low as several activities had to be rescheduled or scaled back.

## DETAILED AUDIT FINDINGS

### 1. SPECIAL BANK ACCOUNT

#### Criterion

The Project guidelines require that at the end of each calendar month the Finance Manager should obtain from the Ministry of Finance a copy of the bank statement for the Project's Special Account, covering the previous month, and reconcile the bank statement to the books of the Project.

#### Condition

The transactions and related records of the Special Bank Account No. 234 333 445 revealed that the controls exercised over the operations of the account were satisfactory and the balance of US\$0.00 as at March 31, 2014 was verified.

### 2. COMPLIANCE WITH CONTRACTUAL CLAUSES

#### Criteria

- i. The Loan Agreement between the Government of Jamaica and the IDB stipulates that the disbursement of funds be carried out based on the satisfaction of the terms of the Loan.
- ii. Annual audited financial statements should be submitted to the Bank by July 31<sup>st</sup> each year.

#### Observations

##### i. **Application for Disbursement of Funds**

Examination of the disbursement requests submitted to the IDB, along with their supporting documents showed general compliance with the relevant contractual clauses in the grant agreement.

##### ii. **Financial Statements**

There was general compliance with the contractual clauses of the project



### 3. ASSESSMENT OF THE ACHIEVEMENT OF PERFORMANCE TARGETS

Ministry of Finance Monitoring Reports and Estimates of Expenditure was used in assessing the achievements of the project for the period under review. A review of these documents revealed the following accomplishments under the Project:

#### a. Cash Grants

An amount of US\$20M was earmarked under the loan for cash payment to beneficiaries. At the end of March 2014, the full amount was disbursed and utilized for payment to beneficiaries registered and compliant with health and education co-responsibilities, and to facilitate a retroactive payment for grants paid in October and December of 2012, from counterpart funds.

There was, however, a slight decline in the number of registered beneficiaries (approximately 337,997 as at February 2014) down from 412,701 in February 2013; the last payment period for FY 2012/13. This reduction was attributed to the fact that PATH commenced its recertification exercise at the end of February 2013, and some education beneficiaries who are inactive were identified among the families to be recertified. Therefore, until the outcome of the recertification exercise is known, the registered status of those inactive education beneficiaries cannot be ascertained.

#### b. Strengthening of PATH

For the period under review, under this component, the renovation of the Early Stimulation Programme Assessment Centre was completed and six (6) temporary classroom units were constructed. The building of these temporary structures and the renovation of the ESP Centre was undertaken by the project in collaboration with the Digicel Foundation.

#### c. Improving Labour Market Outcomes

In February 2014, phase one of the LMIS was completed and deployed. This involved the commencement and testing of the LMIS website.

#### d. Modernization of the School Feeding Programme

Under this component, a no objection was obtained for the contracting of four Dietetic Assistants. The four are responsible for monitoring the schools in the pilot area (Region 1 – Kingston and St. Andrew) and providing training for cooks and school personnel in the implementation of the new menus.

The consultant to lead the development of a comprehensive and robust National School Feeding Policy was also engaged within the period under review (in April



2013). Since on-board, two stakeholder consultations were hosted, and face to face interviews conducted with approximately 20 key stakeholders. A draft Green paper was developed, circulated and reviewed by members of the Policy Oversight Committee and was then sent to the Heads of Agencies for review, before submission to Cabinet.

Likewise, the consultant to upgrade the School Feeding Programme Management Information System was also engaged.

### **Issues/Concerns**

During the embryonic stages of many projects, the rate of implementation is usually low. This project was no exception as the project management team during the review period sought to develop operational and logistical plans to put into motion, resulting in activities initially identified for undertaking being scaled back.



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July 30, 2014

**GOJ/IDB LOAN CONTRACT NO. 2889/OC-JA**  
**PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION (PATH)**  
**INTEGRATED SOCIAL PROTECTION AND LABOUR PROGRAMME (ISPL)**  
**PERIOD DECEMBER 13, 2012 - MARCH 31, 2014**

**AUDIT REPORT ON COMPLIANCE WITH FINANCIAL CLAUSES AND THE  
PROJECT OPERATING REGULATIONS**


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I have audited the Statement of Cash Flow, the Statement of Budget and Expenditure and the Statement of Cumulative Investments for the Integrated Social Protection and Labour Programme executed by the Ministry of Labour and Social Security and financed by the Inter American Development Bank under Loan Agreement No. 2889/OC-JA and the Government of Jamaica and have issued my report thereon dated July 23, 2014.

In relation to my audit, I determined compliance with the financial and accounting contractual clauses and articles within the Special Conditions and General Conditions of Loan Contract No. 2889/OC-JA, and compliance with the applicable provisions of the Project Operating Regulations, as of March 31, 2014. I have examined the Special Conditions described in Loan Agreement and the provisions established in the Project Operating Regulations.

I conducted my audit in accordance with the Standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and the requirements of the Inter-American Development Bank. Those standards require that I plan and perform the audit to obtain reasonable assurance that the Project has complied with the pertinent loan contractual clauses, applicable laws and regulations, and the provisions contained in the Project Operating Regulations. The audit also included examining, on a test basis, the appropriate evidence. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, for the year ended March 31, 2014, the Project complied, in all material respects with the financial and accounting contractual clauses of the loan contract for the Integrated Social Protection and Labour Programme No. 2889/OC-JA and with applicable laws and regulations and the Operating Regulations for the Project.

  
.....  
Auditor General of Jamaica

2014/07/30.....  
Date





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July 30, 2014

**GOJ/IDB LOAN CONTRACT NO. 2889/OC- JA**  
**PROGRAMME OF ADVANCEMENT THROUGH HEALTH AND EDUCATION (PATH)**  
**INTEGRATED SOCIAL PROTECTION AND LABOUR PROGRAMME (ISPL)**  
**PERIOD DECEMBER 13, 2012 - MARCH 31, 2014**  
**REPORT ON THE INTEGRATED REVIEW OF THE PROCUREMENT PROCESS AND**  
**DISBURSEMENT REQUESTS SUBMITTED TO THE BANK**

I have audited the Statement of Cash Flow, the Statement of Budget and Expenditure and the Statement of Cumulative Investments for the Integrated Social Protection and Labour Programme executed by the Ministry of Labour and Social Security and financed by the Inter American Development Bank under Loan Agreement No. 2889/OC-JA and the Government of Jamaica and have issued my report thereon dated July 23, 2014.

In relation to my audit, I examined the disbursement requests and the processes to procure and contract goods, works and consulting services, performed by the Executing Agency for the year ended March 31, 2014. My audit included verifying the reasonableness of such and the validity and eligibility of the expenditures submitted by means of the disbursement justifications for that period.

I conducted my audit in accordance with the Standards of the International Organization of Supreme Audit Institutions (INTOSAI), and the Inter American Development Bank's requirements, specifically the Financial Management Policy for IDB-financed projects (OP-273-1) and the Financial Management Operational Guidelines (OP-274-1). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the executing agency has complied with the provisions of Loan Contract No.2889/OC-JA. The audit also included examining, on a test basis, evidence supporting the processes of selecting and contracting goods, works and services, and the amounts and disclosures in the disbursement requests submitted and that form a part of the

Statement of Cash Flow, the Statement of Budget and Expenditure and the Statement of Cumulative Investments for the period examined.

In my opinion, the processes to procure and contract works, goods and services were performed in accordance with the applicable standards, and the documentation supporting the expenditures made that correspond to the disbursement requests for the period under examination were fairly presented and represented valid and eligible expenses to the Project.



.....  
Auditor General of Jamaica

2014/07/30.....

Date