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JAMAICA

**PUBLIC EXPENDITURE AND FINANCIAL
ACCOUNTABILITY
(PEFA)**

28 February 2017

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Currency and indicative exchange rates

Local currency unit = Jamaican Dollar (J\$)

24 October, 2016

1 Euro = J\$140.034

1 Pound = J\$157.288

1 US dollar = J\$128.500

Fiscal Year

1 April to 31 March

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ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
AEO	Authorized Economic Operator
AFS	Annual Financial Statements
AGD	Accountant General Department
ASYCUDA	Automated System for Customs Data
AuGD	Auditor General Department
BoJ	Bank of Jamaica
CARICOM	Caribbean Community
CAROSAI	Caribbean Organization of Supreme Audit Institutions
CARTAC	Caribbean Regional Technical Assistance Center
CDB	Caribbean Development Bank
CF	Consolidated Fund
CoA	Chart of Accounts
COFOG	Classification of the Functions of Government (by United Nations Statistics Division)
CPI	Consumer Price Index
CPPS	Central Payroll Payment System
CTMS	Central Treasury Management System
DG	Director General
DMB	Debt Management Branch
DMS	Debt Management Strategy
DMU	Debt Management Unit
EC	European Commission
FAA	Financial Administration and Audit Act
FINMAN	Financial and Management Software
FPP	Fiscal Policy Paper
FS	Financial Secretary
FSPU	Financial Systems and Procedures Unit
FY	Fiscal Year
GCT	General Consumption Tax
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoJ	Government of Jamaica
GPRS	Growth and Poverty Reduction Strategy
HCMES	Human Capital Management Enterprise System
HEART	Human Employment and Resource Training Trust
HR	Human Resources
IAU	Internal Audit Unit
IDB	Inter-American Development Bank
IDI	INTOSAI Development Initiative
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards

IRD	Internal Revenue Department
ISSAI	International Standards of Supreme Audit Institutions
JCA	Jamaica Customs Agency
MDA	Ministry, Department, and Agencies
MIND	Management Institute for National Development
MLGCD	Ministry of Local Government & Community Development
MOFPS	Ministry of Finance and Public Service
MOH	Ministry of Health
MOEYI	Ministry of Education Youth and Information
MNS	Ministry of National Security
MTF	Medium Term Socio-Economic Policy Framework
NCC	National Contracts Commission
NIS/NIF	National Insurance Scheme/Fund
OCG	Office of the Contractor General
OSC	Office of the Services Commissions
PAAC	Public Administration and Appropriations Committee
PAB	Procurement Appeals Board
PAC	Public Accounts Committee
PAI	Public Accountability Inspectorate
PAPU	Procurement and Assets Policy Unit
PAYE	Pay As You Earn
PB	Public Body
PBMA	Public Bodies Management Act
PDMA	Public Debt Management Act
PED	Public Enterprises Division
PEFA	Public Expenditure and Financial Accountability
PEX	Public Expenditure Division
PFM	Public Finance Management
PIMSEC	Public Investment Management Secretariat
PIOJ	Planning Institute of Jamaica
PPA	Public Procurement Act of 2015
PPP	Public Private Partnership
PRF	Parochial Revenue Fund
PSIP	Public Sector Investment Program
RAD	Revenue Appeals Division
RAIS	Revenue Administration Information System
SAMU	Securities and Assets Management System
SHRMD	Strategic Human Resource Management Division
TAJ	Tax Administration of Jamaica
TA	Technical Assistance
TRN	Taxpayer Registration Number
TSA	Treasury Single Account
USD	United States Dollars

PREFACE

In response to a request from the Government of Jamaica, a mission comprising Ms. Celeste Kubasta, CARTAC (lead), Mr. Bruce Stacey, CARTAC, Mr. Andrew Ceber, CARTAC, Mr. Frans Ronsholt and Mr. John Short, IMF expert roster and Ms. Rosamund Edwards, Financial Secretary, Dominica¹ visited Jamaica during the period October 10 to October 25, 2016 for undertaking a PEFA assessment.

On October 10, the mission delivered training on the PEFA methodology to a wide range of stakeholders. During the assessment, the mission team met with officials from the Ministry of Finance and Public Service (MOFPS) as well as a number of ministries, departments and agencies (MDAs), the Auditor General and a number of independent bodies. The mission also conversed with representatives of the Public Accounts Committee and Public Administration and Appropriations Committee of the Parliament. A full list of the persons met/consulted is provided in Appendix 4 of this report.

The mission expresses its gratitude to the authorities, led by Mr. Everton McFarlane, Financial Secretary, and Mr. Dunstan Bryan, Project Coordinator for their cooperation. The mission recognizes Mr. Donald Miller, Head PFM Secretariat and Ms. Claudeth McKoy, administrative assistant, for their assistance in the preparation and conduct of the assessment and the highly appreciated support in the day-to-day organization and logistical requirements of the mission and assistance in data generation.

The mission would also like to thank all staff who provide access to data, documentation and answered our many questions, in particular Ms. Carlene Murdock, Accountant General; Trevor Anderson, Director Economic Management Division; Veronica Warmington, Public Enterprise Division; and Eleth Desouza, Public Expenditure Division.

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EXECUTIVE SUMMARY

The purpose of this PEFA assessment is to provide an objective analysis of the present performance of the PFM system in Jamaica against the PEFA indicators. This PEFA provides an update of progress in PFM in Jamaica since the last PEFA in 2012 and establish a new PEFA baseline using the 2016 PEFA methodology. As Jamaica has been the recipient of significant technical assistance to support enhancement of many elements of its PFM system, it is now an appropriate time to take stock of overall progress.

The assessment covered expenditures by central government budgetary units and revenues collected by government. Revenue collected on behalf of agencies such as National Insurance Fund and National Health Fund was included in the examination of revenue administration. Extra-budgetary units and local government were included in terms of indicators 6 and 7 relating to central government operations outside financial reports and transfers to local government. The assessment team visited Jamaica from October 10 to October 25 (time of assessment). The financial years covered for indicators that required assessing over three years is 2013-14, 2014-15 and 2015-16. FY2015-16 is the latest completed financial year.

Overall, the results of the PEFA show a public financial management system in Jamaica that is strong but there are notable weaknesses in aspects of risk management, multi-year budgeting and treasury operations. The budget process is evolving and the introduction of a fiscal framework is a positive start. Revenue forecasting has improved significantly since the previous PEFA and the revenue agencies have developed effective processes and procedures by more timely collection and transfer to MOFPS, which positively impact on the execution of the budget. On the expenditure side, however, limited cash plans and insufficient commitment control detract from effective management of the release of the budget without accumulation of arrears. Arrears are close to 10 per cent of expenditure and are not adequately monitored.

Good information on budget execution is readily available to decision makers, but timeliness of issuing the reports could be improved. Publishing the available data and analysis would greatly enhance transparency. A key lesson from the recent global financial crisis is that risks in the public corporations, subnational government and social security sectors require careful management. Increasing visibility regarding the operations, finances, and thus risk, associated with the statutory bodies and commercial, public corporations is essential for managing such risks in Jamaica. A performance management framework is not as yet developed and is something that will be important, both to drive internal efficiency and to support accountability for results in a situation where the institutions of external oversight are weak.

External audit and scrutiny are areas of significant strengths. The Auditor General Department is active in carrying out financial and compliance audits. It adopts ISSAI and INTOSAI auditing standards to govern its work with audit plans and strong staff development programs. External scrutiny of audit reports by the Public Accounts Committee is very positive and this is focused on areas that the AuGD has identified. The Public Administration and Appropriations Committee is active in examining issues affecting both the implementation of the budget and public administration.

Aggregate Fiscal Discipline

Aggregate fiscal discipline is achieved due to control over spending during budget execution as well as realistic revenue forecasts. Strong revenue administration ensures that revenues are efficiently collected. The planned budget is not circumvented by the excessive use of virement and supplementary budgets and treasury operations and cash management enables expenditures to be managed within the available resources. However, control of contractual commitments is not sufficiently effective, creating a risk of generating further expenditure arrears. The strong external audit function and scrutiny by both the Public Accounts Committee (past performance) and Public Administration and Appropriations Committee of the House of Representatives (budget execution) enhances fiscal discipline.

Strategic allocation of resources

There is only a one-year horizon in the budget planning process which limits the effectiveness of implementing national and strategic plans. There is a strong emphasis on the overall fiscal framework and this now needs to be transmitted to the budget formulation process at the individual MDAs. The Chart of Accounts caters for a multi-dimensional analysis of expenditure and then needs to be applied to strengthen the strategic allocation of resources.

Efficient use of resources for service delivery

The current weaknesses in the procurement system could have adverse implications for the efficiency in service delivery. Weaknesses in the accountability mechanisms – such as the limited comprehensiveness and delayed issue of annual financial statements - make external audits and their scrutiny ineffective as counter checks on inefficient use of resources. The patchy publishing of performance targets and outcomes, lack of systematic program evaluation, of data on resources available at service delivery units also undermines accountability. Such information would help management decision making to support improved service delivery. On the revenue side, operational efficiency is compromised by the accumulation of tax arrears. Lack of effective tax debt collection undermines credibility of tax assessments and the principle of equal treatment to taxpayers. The introduction of arrears write-off legislation would afford the opportunity to clean up tax arrears and make them current.

Changes in PFM performance since 2012

While this PEFA assessment has been carried out using the updated and expanded 2016 methodology, it has been possible to score against the previous 2011 PEFA methodology which was used in the 2012 PEFA assessment. The comparison of the assessments indicate that between 2012 and 2016 budget credibility has improved as revenues are now well in line with budget estimates. The Chart of Accounts has been modernized to comply with GFS standards. The reporting of expenditures and revenues by public bodies is both comprehensive and timely. There have also been improvements in the budget calendar, and internal audit and particularly in tax administration. The main area of backsliding is in the timeliness of in-year budget execution reports and end-year financial statements. However, external audit and legislative oversight have

strengthened which will eventually impact on service delivery and the allocation of sources once a medium term and strategic approach to budget planning is enacted.

Summary Assessment 2016 ratings							
PFM Performance Indicator		Scoring Method	Dimension Ratings				
			1	2	3	4	Score
Pillar I: Budget reliability							
PI-1	Aggregate expenditure out-turn		A				A
PI-2	Expenditure composition out-turn	M1	B	C	A		C+
PI-3	Revenue out-turn	M2	A	B			B+
Pillar II: Transparency of public finances							
PI-4	Budget classification		A				A
PI-5	Budget documentation		B				B
PI-6	Central government operations outside financial reports	M2	A	A	C		B+
PI-7	Transfers to sub-national governments	M2	A	D			C+
PI-8	Performance information for service delivery	M2	D	D	D	D	D
PI-9	Public access to fiscal information		D				D
Pillar III: Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	D	C		D+
PI-11	Public investment management	M2	D	D	C	C	D+
PI-12	Public asset management	M2	C	D	C		D+
PI-13	Debt management	M2	C	A	A		B+
Pillar IV: Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	B	A	C		B
PI-15	Fiscal strategy	M2	D	A	A		B
PI-16	Medium-term perspective in expenditure budgeting	M2	D	D	D	NA	D
PI-17	Budget preparation process	M2	A	B	D		B
PI-18	Legislative scrutiny of budgets	M1	B	C	C	B	C+
Pillar V: Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	A	C	D	B
PI-20	Accounting for revenue	M1	D	A	A		D+
PI-21	Predictability of in-year resource allocation	M2	D*	C	C	B	C
PI-22	Expenditure Arrears	M1	D	D			D
PI-23	Payroll controls	M1	C	B	D	C	D+
PI-24	Procurement management	M2	A	D	C	B	C+
PI-25	Internal controls on non-salary expenditure	M2	C	C	B		C+
Pillar VI: Accounting and reporting							
PI-26	Internal audit	M1	A	A	D	B	D+
PI-27	Financial data integrity	M2	D*	D	C	A	C
PI-28	In-year budget reports	M1	C	D	C		D+
PI-29	Annual financial reports	M1	C	D	C		D+
Pillar VII: External scrutiny and audit							
PI-30	External audit	M1	B	B	A	C	C+
PI-31	Legislative scrutiny of audit reports	M2	C	A	A	D	B

1. INTRODUCTION

1.1 Rationale and purpose

1. **The purpose of this PEFA assessment is to provide an objective analysis of the present performance of the PFM system in Jamaica against the PEFA indicators.** The PEFA provides an update of progress in PFM in Jamaica since the last PEFA in 2012 and establish a new PEFA baseline using the 2016 PEFA methodology. As Jamaica has been the recipient of significant technical assistance to support enhancement of many elements of its PFM system, it is now an appropriate time to take stock of overall progress and to establish a baseline for a new PFM action plan based on the upgraded PEFA framework.

1.2 Assessment management and quality assurance

Box 1-1 Assessment management and quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Team – Donald Miller, MOFPS Jamaica; Christopher Iles, Gerardo Una, IMF; Naveen Janiauth Umrao, IDB; Davide Zucchini, World Bank
- Assessment Manager: Donald Miller, MOFPS Jamaica
- Assessment Team: Celeste Kubasta, CARTAC (Lead); Bruce Stacey, Andrew Ceber, CARTAC; John Short, Frans Ronsholt, IMF Expert Roster; and Rosamund Edwards, Financial Secretary, Dominica

Review of Concept Note

- Concept Note circulated for comment to Jamaica authorities and other reviewers on 15 September 2016
- Invited reviewers: Donald Miller, MOFPS Jamaica, Christopher Iles, Gerardo Una, IMF; Naveen Janiauth Umrao, IDB; Davide Zucchini, World Bank. PEFA Secretariat
- Reviewers who provided comments: MOFPS Jamaica, comments on 23 September; IDB comments on 26 September; PEFA Secretariat comments on 26 September; IMF comments on 29 September; World Bank comments on 28 September
- Final Concept Note circulated on October 6, 2016.

Review of the Assessment Report

- Assessment report draft circulated on 14 November, 2016:
- Invited reviewers: Donald Miller, MOFPS Jamaica; Christopher Iles, Gerardo Una, IMF; Naveen Janiauth Umrao, IDB; Davide Zucchini, World Bank. PEFA Secretariat
- Comments received from: IMF, IDB, World Bank, PEFA Secretariat and MOFPS

2. A substantial number of government officials participated in the assessment, readily providing most of the documentation used for the assessment, as well as their views and insights on all the subjects covered. Some development partners (IMF, WB and IDB) participated in the assessment but only in their capacities as members of the Oversight Team and thus reviewers of the Concept Note and the report drafts. Other development partners, who support PFM reform, were informed about the assessment but did not participate.

1.3 Assessment methodology

3. **Coverage of the Assessment:** The assessment covers the central government, comprising 58 budgetary institutions (ministries, departments, commissions and executive agencies) as well as 50 extra-budgetary institutions (self-financing public bodies receiving subsidies from the government budget). The 14 public corporations (i.e. financial and non-financial public bodies operating on a commercial basis excluding Bank of Jamaica) and the 14 local government units are included in the assessment only as regards the government's monitoring the financial affairs of these institutions.

4. **When performance is assessed:** The assessment team visited Jamaica on its main fact finding mission from 9 to 25 October, 2016. The cut-off date for information to serve as evidence for the assessment was 25th October (representing 'at time of assessment'). The last completed fiscal year – the required basis for assessing many of the performance indicators – was FY2015-16, ending on 31 March 2016.

5. **Sources of Information:** The list of sources of information for each of the indicators is found at Annex 3C with a complete bibliography. A full list of persons met is provided in Annex 3B.

6. **Other methodological issues for the preparation of the report:** The assessment was carried out using the 2016 PEFA Framework. All 31 indicators (and their 94 dimensions) were assessed and followed the methodology without any deviation in terms of coverage and application. The assessment team also scored using the 2011 PEFA methodology (28 government performance indicators with 71 dimensions) so that a comparison could be made with the results for the government indicators scored for 2012 in the PEFA assessment report of March 2013, which used that methodology. A comparison between 2012 and 2016 is included as annex 4. The comparison did not include the three former donor practice indicators as no equivalent is retained in the 2016 PEFA Framework.

2. COUNTRY BACKGROUND INFORMATION

2.1 Country economic situation

7. **The population of Jamaica stood at an estimated 2,728,900 at the end of 2015².** After 2012/13, the economy continued to recover, albeit slowly, from the impact of the global financial crisis of 2007/2008. Real growth in 2013/14, 2014/15 and 2015/16 were 1.0 per cent, 0.2 per cent and 1.0 percent³, respectively. Per capita GDP was US\$4,967 in 2014.

8. **The Jamaican economy is heavily dependent on services, which accounts for more than 65.3%⁴ of GDP for 2015.** The country continues to derive most of its foreign exchange from tourism, remittances, and bauxite/alumina. Remittances and tourism each account for 30% of GDP, while bauxite/alumina exports make up roughly 5% of GDP. The bauxite/alumina sector was most affected by the global downturn while the tourism industry and remittance flow remained resilient.

9. **The current balance is chronically negative but with a declining trend.** There has been a decline in imports as a share of GDP but exports have also declined but not as rapidly as imports. Inflation has fallen from 8.3 in 2013/14 to 3.0 per cent in 2015/16. Key economic indicators are presented in Table 2-1.

10. **Jamaica has a Human Development Index of 0.719 which makes it 99th out of 188 countries and in the High Human Development set of countries.** Life expectancy at birth is 75.7 years.

11. **The Government drafted Vision 2030 Jamaica, National Development Plan in January, 2009.** Its overarching objective is to create the conditions in which Jamaica's productive enterprises are able to generate greater levels of wealth and in which the social and environmental conditions and general well-being of the society are enhanced. This Vision 2030 is complemented by A Growth-Inducement Strategy for Jamaica in the Short and Medium Term in 2011 to provide a practical vehicle to carry forward that Plan in the short and medium term.

² Economic & Social Survey Jamaica 2015.

³ Fiscal Policy Paper FY 2016/17, MOFPS, April 2016

⁴ Economic & Social Survey Jamaica 2015

Table 2-1. Jamaica: Selected Economic Indicators 1/											
Population (2013): 2.8 million						Per capita GDP (2014): US\$4967					
Quota (current; millions SDRs/% of total): 382.9/0.08%						Literacy rate (2011)/Poverty rate (2012): 86.4%/19.9%					
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar						Unemployment rate (Apr. 2016): 13.7%					
	Proq.		Prel.	Proq.	Projections						
	2013/14	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
(Annual percent change, unless otherwise indicated)											
GDP and prices											
Real GDP	0.9	1.0	0.2	1.0	1.7	1.7	2.1	2.5	2.7	2.8	2.8
Nominal GDP	10.6	9.2	7.5	7.5	5.4	4.7	7.4	7.8	7.9	7.9	7.9
Consumer price index (end of period)	9.5	8.3	4.0	3.0	5.3	5.2	5.2	5.1	5.0	5.0	4.9
Consumer price index (average)	9.6	9.4	7.2	3.4	3.6	3.0	5.2	5.2	5.1	5.0	5.0
Exchange rate (end of period, J\$/US\$)	...	109.6	115.0	122.0	...	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	...	103.9	113.1	118.8	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	...	10.8	5.0	6.1	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	...	-4.7	7.4	-2.4	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	...	-3.5	-0.2	-2.4	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	...	9.1	7.0	5.8	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	8.0	7.9	7.8	6.3	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	...	13.4	14.2	13.7	...	...	...	...	...	...	...
Public debt (In percent of GDP 5/)	138.9	140.4	136.6	120.3	127.6	119.7	113.0	105.5	97.6	90.0	84.1
External sector											
Current account balance	-9.6	-8.7	-7.3	-2.2	-2.6	-3.1	-3.2	-3.4	-3.4	-3.4	-3.5
Of which: Exports of goods, f.o.b.	11.8	10.6	10.1	8.4	8.8	8.5	8.3	8.1	7.9	7.7	7.5
Imports of goods, f.o.b.	38.7	37.5	36.3	30.4	32.2	32.3	32.4	31.9	31.1	30.2	29.5
Net international reserves (US\$ millions)	1,248	1,304	2,294	2,416	2,956	2,887	3,057	3,223	3,308	3,598	3,746
(Changes in percent of beginning of period broad money)											
Money and credit											
Net foreign assets	6.4	18.7	27.9	10.0	16.4	14.7	5.8	5.4	3.4	7.5	4.3
Net domestic assets	4.2	-12.6	-22.3	8.7	-7.8	-2.1	0.9	1.0	2.7	0.1	0.6
Of which: Credit to the private sector	10.1	8.2	3.1	8.2	8.7	10.6	12.3	9.6	10.6	11.0	13.6
Credit to the central government	3.8	-3.1	-15.2	5.5	2.0	2.0	0.3	-0.2	-1.1	-3.2	-5.4
Broad money	10.6	6.1	5.7	18.7	8.6	12.7	6.7	6.4	6.2	7.6	4.8
Memorandum item:											
Nominal GDP (J\$ billions) 6/	1,478	1,462	1,572	1,690	1,718	1,770	1,901	2,049	2,211	2,387	2,575
Sources: Jamaican authorities and IMF staff estimates and projections.											
1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.											
2/ The new methodology uses trade weights for Jamaica that also incorporate trade in services especially tourism.											
3/ As of January 31.											
4/ In 2014/15, reflects the extension of the GCT to government purchases, with projected total yield of 0.2 percent of GDP at the time of the sixth review. and updated projected total yield of 0.1 percent of GDP.											
5/ Central government direct and guaranteed only, including PetroCaribe debt (net of its financing to the central government) and projected IMF disbursements and other IFIs.											
6/ Deviations of nominal GDP in FY15/16 from 12th review are due to a higher than expected GDP deflator. This level shift affected the entire medium term path.											

Source: IMF Country report no. 16/297

2.2 Fiscal and budgetary trends

12. **Fiscal data presented in Table 2-2 indicates that overall fiscal performance has been mixed since 2012.** The overall fiscal balance has fluctuated between deficit and surplus showing a strong surplus in the middle year under review. While the primary balance is healthy at over 7 per cent of GDP it was on a declining trend. Both interest payments and amortization

are high with the latter reaching a crippling 20 per cent of GDP in 2015/16. Tax revenue has been increasing which has offset falling non tax revenues. Wages and salaries are over 10 per cent of GDP but on a declining trend while other noninterest recurrent expenditure has increased each year and stood at 7.9 per cent of GDP in 2015/16. Total expenditure fell by 3.1 percent of GDP between 2012/13 and 2013/14 but increased by 0.7 percent of GDP in 2014/15. The deficit fell by 2.6 percent of GDP between 2012/13 and 2013/14 but jumped by 2.9 percent of GDP in 2014/15. The deficit was financed in 2015/16 by a large increase in external loans. Public debt at the end of the year amounted to 120% of GDP.

Table 2-2 Aggregate Fiscal Data

as % of GDP	2013/14	2014/15	2015/16
<i>Revenue & Grants</i>	27.2	26.2	27.0
Tax Revenue	23.5	23.6	24.4
Non-Tax Revenue	2.8	2.2	2.1
Bauxite Levy	0.1	0.0	0.1
Capital Revenue	0.0	0.1	0.0
Grants	0.7	0.3	0.3
<i>Expenditure</i>	27.0	26.7	27.3
Recurrent Expenditure	24.5	25.2	25.3
Programmes	6.3	7.2	7.9
Wages & Salaries	10.7	10.1	10.0
Interest	7.5	7.9	7.4
Domestic	4.7	4.8	4.2
External	2.8	3.1	3.2
Capital Expenditure	2.5	1.5	1.9
Capital Programmes	2.5	1.5	1.9
<i>Fiscal Balance (Surplus + / Deficit -)</i>	0.1	-0.5	-0.3
<i>Loan Receipts</i>	6.4	10.7	17.7
Domestic	2.7	2.5	1.7
External	3.7	8.2	16.0
Divestment/Other	0.0	0.0	0.4
<i>Amortization</i>	7.3	5.6	20.3
Domestic	5.2	1.9	4.6
External	2.1	3.7	15.7
<i>Overall Balance (Surplus + / Deficit -)</i>	-0.8	4.7	-2.5
<i>Primary Balance (Surplus + / Deficit -)</i>	7.6	7.5	7.1

Source: Ministry of Finance & Public Service

13. **Expenditure (capital and current) by broad functions indicates that broad administrative functions (excluding interest payments) consume in the region of just over 15 per cent of expenditures.** Table 2-3 shows that education affairs services is a significant priority are consuming between 27 and 30 per cent of the total but on a declining trend. Public order and safety averages 15 per cent of the total while health affairs and services and economic affairs are other functions each having over 10 per cent of the total.

Table 2-3 Actual budgetary Allocations (as a % of total)

	2013/14	2014/15	2015/16
General Public Services	16.4%	14.8%	15.4%
Defense Affairs and Services	4.6%	4.5%	4.4%
Public Order and Safety	15.3%	15.5%	15.6%
Economic Affairs	10.8%	13.3%	12.2%
Environmental Protection and Conservation	0.7%	0.7%	0.7%
Housing and Community Amenities	3.0%	3.2%	2.9%
Health Affairs and Services	14.3%	14.8%	16.8%
Education Affairs and Services	30.4%	28.3%	27.1%
Social Security and Welfare Services	3.0%	2.6%	2.5%
Unallocated	0.4%	1.0%	0.0%
Total	100%	100%	100%

Source: Ministry of Finance & Public Service

14. **Analysis of expenditure by economic classification in table 2-4 show a relative stable split between recurrent and capital on an annual basis.** It needs to be noted that project related expenditure has been broken down into capital and current classifications. Wages and salaries, the largest category, are on a declining trend but interest payments consume over a quarter of the total. Transfers are greater than goods and services but the latter is on an increasing trend while the former is on a declining trend.

Table 2-4 Actual budgetary allocations by economic classification (as % of total)			
	2013/14	2014/15	2015/16
Current Expenditures	96.4%	96.3%	96.7%
Wages and salaries	40.2%	37.3%	36.7%
Goods and services	10.7%	10.5%	16.0%
Interest payments	27.8%	29.0%	27.1%
Transfers	17.7%	19.1%	16.8%
Other	0.0%	0.4%	0.1%
Capital expenditures	3.6%	3.7%	3.3%
	100.0%	100.0%	100.0%

Source: Ministry of Finance & Public Service

2.3 Legal and regulatory arrangements for PFM

15. **Chapter VII of the 1962 Constitution provides for the financial operations of the Government of Jamaica.** It provides for (i) payments into and withdrawals from the Consolidated Fund; (ii) the authorization of expenditure from the Consolidated Fund by the appropriation law for establishing the annual budget; (iii) Supplementary Estimates and Appropriations, and (iv) Contingencies Fund. Section 119 makes the public debt of Jamaica a charge on the Consolidated Fund. Public debt is defined as including interest payments, sinking

fund payments and redemption monies in respect of that debt and the costs, charges and expenses incidental to the management of that debt. Section 120 is concerned with the audit of public accounts and Office of the Auditor General.

16. **The Finance Administration and Audit Act of was initially passed in 1959 and has been subject to amendments over time.** The Act is complemented by Regulations. Overall the Act and Regulations provides for the control and management of public finance including the Consolidated Fund, maintenance and publication of accounts, authorization of expenditure, payments by warrant, bank accounts, investment, public debt, deposits, write-off, surcharges, and provisions for the issuance of regulations. There are Acts and Regulations that apply to each tax that is levied in the country. Both the Constitution and FAA make provision for External Audit of the Financial Statements.

17. **There are other relevant acts for PFM.** A new Debt Act, the Public Debt Management Act was passed in 2012 to provide the Minister of Finance the authority to manage public debt. The Public Procurement Act, 2015 consolidates and modernises the law relating to the public procurement of goods, works and services; and for related matters. The Contractor-General Act provides for the monitoring of the award and the implementation of government contracts. The Public Bodies Management and Accountability Act and the Executive Agencies Act regulate extra-budgetary agencies. The Civil Service Establishment Act is concerned with government employees. All the laws are located at <http://moj.gov.jm/laws/>.

18. Local government was entrenched in the constitution by the passing of the Constitution (Amendment) (Local Government) Act in July 2015. The main governing legislation for local authorities comprises the Parish Councils Act 1887, the Kingston and St. Andrew Corporation Act 1923 and the Municipalities Act 2003. The Ministry of Local Government and Community Development provides oversight for the 14 local authorities.

19. **The implementation of the PFM action plan required changes in the legislative framework.** In that regard, the Financial Administration and Audit Act and other related legislation have been amended *viz*:

- The Financial Administration and Audit (Amendment) Act #4 of 2015 was passed to make legal the fiscal rules that will guide the budget process.
- Public Bodies (Management & Accountability) (Amendment) Act #3 of 2015 was passed to strengthen the existing legislative framework of accountability in public bodies, including compliance with government's procurement rules and to implement a financial distribution policy for self-financing public bodies.
- Revenue Administration (Amendment) Act was passed to provide a legal framework to deal with certain tax matters in the Revenue Court.
- The Revenue Appeal Division Act #10 of 2015 was passed to establish the Revenue Appeals Division.
- Various amendments and regulations to Tax Acts dealing with Jamaica Customs Agency and Tax Administration,
- Amendments to tax Incentives Acts

- Public Procurement Act was passed in October 2015 to enhance the public procurement of goods and services, but is not yet effective.
20. **The structure of internal control embodies the five components identified in the COSO framework:** control environment, risk assessment; control activities, information and communication, and monitoring activities. The structure has been created through the legal, structural and operating environments.
21. **The control environment is established through the legislation and constitution established through the Parliament as identified above.** The Financial Management Regulations of 2011 are the enabling legislation for the Financial Management Act. They include assignments of specific responsibilities throughout the government structure. These assignments within the regulation include the control of the consolidated fund to the Accountant General; internal controls for revenues, as identified in paragraphs 35(3) and 41 and assigned to Principle Receivers of Revenue and accounting officers; expenditures, in paragraph 48, is assigned to accounting and accountable officers ; and responsibilities for assets (government property), in Part VIII and assigned to accounting officers under the guidelines issued by the Financial Secretary.
22. **The risk assessment component of the regulations is within Part IV Internal Audit of the Regulations.** This part includes requirements that accounting officers shall ensure there is a risk management process within their operations to determine material risks. and are to perform a risk management assessment. The strategy for risk management shall include fraud prevention and an effective system of internal control over the financial and operational processes of the department.
23. **The controls activities,** as previously assigned, occur throughout government with government-wide assignment to the Ministry of Finance and Accountant General, supported by department wide activities enabled by accounting officers.
24. **The information and communication component** is to be established throughout government including within legislation issued by parliament, inter-governmental communications and documentation established by Ministry of Finance and Accountant General, and inter-departmental communications issued by accounting officers.
25. **Monitoring activities** are to be carried out on a daily basis by accounting officers within their requirement to establish procedures to review adequacy and compliance with internal control system (regulations paragraph 146(e)). Additional checks are to include by Treasury, Internal audit functions of each department, and the Auditor General.

2.4 Institutional arrangements for PFM

26. **Public Finance Management in Jamaica falls within the purview of the Ministry of Finance and Public Service (MOFPS).** The Ministry includes a number of Divisions and Units including the Public Expenditure Division, Public Enterprise Division, Economic Management Division, Revenue Appeals Division and the Fiscal Policy Management Unit. The Accountant General and Treasury record and execute warrants and certain payments along with MDAs. Internal audit is decentralized in MDAs as well as in the Ministry of Finance. The Tax Administration of Jamaica (TAJ) and the Jamaica Customs Agency (JCA) are the main revenue agencies and are also part of the Ministry of Finance. The Auditor General Department is responsible for external audit.

27. Among the responsibilities of the Ministry of Finance are the following:

Administrative or Statutory

- To receive, secure and account for all disbursements of public funds in accordance with the Financial laws and Regulations of Jamaica;
- Release of funds to MDAs in accordance with parliamentary appropriations;
- Determination of the format for presenting the annual estimates of revenue and expenditures.

Strategic

- Monitoring of economic performance;
- Preparation of economic forecasts and analytical reports, in collaboration with the Planning Institute of Jamaica (PIOJ), a central government agency;
- Providing advice to Government on economic and financial matters;
- Charting the direction of macroeconomic policy;
- Preparation of the annual budget for approval by Parliament.

28. **The powers and duties of the Minister of Finance, the Financial Secretary, Accountant General, and Accounting Officers are laid down in the Financial Administration and Audit Act.** The Minister of Finance is responsible for formulating policies for and supervising the finances of the Government in order to ensure that a full account is made to the House of Assembly and have full responsibility for the Consolidated Fund.

29. **The Financial Secretary reports to the Minister and is responsible for the overall administration and supervision of the operations of the Act.** The Financial Secretary is assisted in his duties by a number of Deputies assigned to the various Divisions of the Ministry.

30. **The Accountant General is responsible for the compilation and management of the accounts of the Government.**

31. **Each Ministry of Government is headed by an Accounting Officer.** The Accounting Officers are responsible for the efficient management of, and accounting for, public funds entrusted to them.

32. **In accordance with section 120 of the Constitution, the Auditor General is required to inspect and review all accounts of the Government.** The Auditor General is also to exercise the powers mandated in the Financial Administration and Audit Act.

33. **Central government comprises 58 budgetary institutions (ministries, departments, commissions and executive agencies) as well as 50 extra-budgetary institutions (known as self-financing public bodies receiving subsidies from the government budget).** Central government controls two social security funds and 13 public corporations (i.e. financial and non-financial public bodies operating on a commercial basis including Bank of Jamaica).

Table 2-5 Structure of public sector 2015/16 - number of entities

	Public Sector				
	Government Sub-sector		Social Security Funds	Public Corporation Sub-sector	
	Budgetary Unit	Extra-budgetary Units		Non-Financial Public Corporations	Financial Public Corporations/1
Central	58	50	2	9	4
1 st tier sub-national (State)	14				
Lower tier (s) of sub-national	n.a.				
1/ Includes Bank of Jamaica					

Source: Estimates of Expenditure for Government and public bodies

Notes

The number of extra-budgetary units excludes 13 public bodies under divestiture or winding down or consolidated into others.

Commercial PBs as identified by PED, based on them obtaining more than 50% of their revenues from commercially oriented activities.

34. **Table 2-6 takes the data from the government expenditure estimates and estimates of the extra budgetary units and public corporations** (see PI-6 and PI-10). Aggregation of expenditure is less transfers to avoid double counting. There are transfers from the Central Government budget to local authorities (J\$2,025 mill), whereas extra-budgetary units provide a net income to central government (J\$6,144 mill) as do the Social Security Funds (J\$1,032 mill). These latter two transfers have been netted off revenues so gross total revenue for extra-budgetary and social security funds are correspondingly higher.

35. **The configuration of local authorities in Jamaica consists of 14 municipal corporations.** Local authorities are empowered to raise revenue via user fees, by-law penalties, trade licenses and property taxes. They also benefit from ad-hoc, conditional transfers from central government. Local government is responsible for parish infrastructure and poor relief and shares responsibility with central government for a range of services including water supply, environmental health and local economic development⁵.

36. **The 14 local authorities have a combined turnover of about 2% of central government turnover.** They are mainly funded by property taxes and vehicle registration fees collected by central government and distributed through the Parochial Revenue Fund and the Equalization Fund). This accounts for some 75% of total revenue. Central government contributes General Assistance Grants to cover salaries and general administrative costs as well as some specific grants (accounting for roughly 20% of total revenue. Local collection of tax and non-tax revenue is minimal and typically covers about 5% of annual revenue.

37. **Petrojam Limited dominates the financial turnover of the 12 public corporations (excluding BOJ)** accounting for two thirds of turnover and practically all dividend payments to government. Only one public corporation received a net subsidy.

J\$ mill	Central Government				Public Corporations
	Budgetary Unit	Extra-budgetary Units/5	Social Security Funds	Total Aggregated	/4
Revenue (net of transfers)	458,101	115,077	37,087	610,265	233,587
Expenditure	463,287	96,039	29,244	588,570	239,097
Transfers to (-) and from (+) other units of general gov't, net	5,151	-6,144	-1,032	-2,025	-20,642
Liabilities	Unavailable/1	385,970	6,531	392,501	197,072
Financial Assets	Unavailable/2	618,515	95,985	714,500	105,344
Non-financial assets	Unavailable/1	38,438	1,280	39,718	156,723

/1 Cash Accounting/2 Accounts not consolidated /3 budget estimates shown in Annex 3A

/4 Public Corporations exclude Bank of Jamaica, and liabilities exclude equity.

/5 The net transfers from EBUs to the government budget is due to J\$ 11,600m in dividends from NHT. Nevertheless, NHT is not considered commercial as more than 50% of its revenue is from contributions. Other notes as part table 2-5

⁵ Ref. The local government system in Jamaica, <http://www.clgf.org.uk>

2.5 Other important features of PFM and its operating environment

38. **The Government of Jamaica has agreed a Stand-by Arrangement with the IMF which supports an economic program for Jamaica.** PFM reform is a key element of the program. As part of the on-going reform, the Government of Jamaica has strengthened the institutional arrangements for the effective implementation of the PFM reform agenda. The following arrangements were made:

- PFM Reform Steering Committee comprising of senior officials of the Ministry of Finance, the Revenue Agencies, the Revenue Appeals Division and the Accountant General's Office. The Steering Committee is chaired by the Financial Secretary.
- A Public Financial Management Secretariat was established in the Ministry of Finance to provide support to the Steering Committee.
- Each Division of Ministry of Finance is required to appoint an individual who is given the responsible for coordinating the reporting for that particular Division. The report from each Division is submitted to the Committee to assess the progress of implementation.
- A Monitoring Committee was also established to lead the monitoring of the implementation of the action plan. A sub- group of the Monitoring Committee comprising of three members is tasked with finalizing the reports that are fed to the Steering Committee.
- The capacity within the Ministry of Finance was strengthened so that the Ministry was appropriately staffed to give technical leadership to the process.
- Training and sensitization sessions with the Budget Analysts and Budget Officers have formed an integral part of the reform process and arrangements are made for the institutionalization of training at MIND.

3. ASSESSMENT OF PFM PERFORMANCE

3.1 Budget Reliability

PI-1 Aggregate expenditure out-turn

	2016	Minimum Requirements
PI-1 Aggregate expenditure out-turn	A	Scoring Method M1
1.1 Aggregate expenditure out-turn	A	Aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the three last years

39. **This indicator assesses the credibility of the budget by calculating the extent to which actual aggregate expenditure deviates from the original budget for the last three years of available data.** The assessment is based on the budget and actual expenditure for the fiscal years 2013/14, 2014/15 and 2015/16.

PI-1.1 Aggregate expenditure out-turn

40. **Actual and originally budgeted expenditure data is summarized in Table 3-1.** Expenditure covers all expenditure (including contingency) irrespective of the sources of funding. It includes interest payments. There are some suspense accounts but of no material significance.

	2013/14	2014/15	2015/16
Budget	415,206	439,282	462,258
Actual	395,861	429,359	461,448
% Outturn	95.3%	97.7%	99.8%

Source: MOFPS

41. **The table shows that the actual expenditure has been consistently lower than budget estimates and the variance is on an increasing trend.** This trend reflects the government actions in restricting actual expenditure to the originally appropriated amount during the execution phase of the budget in meeting the IMF program targets. Score A

PI-2 Expenditure composition out-turn

	2016	Minimum Requirements
PI-2 Expenditure composition out-turn	C+	Scoring Method M1
2.1 Expenditure composition out-turn by function	B	Variance in expenditure composition by program, administrative or functional classification was less than 10% in at least two of the last three years.
2.2 Expenditure composition out-turn by economic type	C	Variation in expenditure composition by economic classification was less than 15% in at least two of the last three years.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.

42. **This indicator measures the extent to which reallocations between budget heads during execution of the budget have contributed to variance in expenditure composition.** The assessment is based on the budget and actual expenditure for the fiscal years 2013/14, 2014/15 and 2015/16.

2.1 Expenditure composition out-turn

43. **Expenditure composition is measured having regard to the composition of the approved budget by vote as compared to the composition of actual expenditures.** Expenditure variance for each of the last three completed fiscal years is shown in tables 3-2, 3-3 and 3-4, calculated on the basis of votes (administrative classification). There is a contingency vote in the Ministry of Finance estimates that covers expected expenditures on wages, supplies and taxes that during the year would be attributed to MDAs once realized. This contingency has been taken out of the Ministry of Finance estimates and treated as a contingency even if it is not to cope with unexpected events.

	2013/14
Variance in composition	7.5%
	2014/15
Variance in composition	6.3%
	2015/16
Variance in composition	5.3%

Source: MOFPS data as presented in Annex 3A

44. **Variance in expenditure composition by administrative classification was less than 10% in all of the three years.** Score B

2.2 Expenditure composition out-turn by economic type

45. **Expenditure composition is measured having regards to the composition of the approved budget by economic category as compared to the composition of actual expenditures.** Expenditure by economic category variance is calculated for each of the last three fiscal years and is shown in table 3-5. The deviation can be explained by the allocation of the contingency to economic categories in budget execution increasing the recipient economic categories and reducing the other category that the contingency is in. Variance in expenditure composition by economic classification was less than 15% in all three years but greater than 10% in two of the three years. Score C

Table 3-3: Variance by Economic Classification	
2013/14	
composition variance	12.4%
2014/15	
composition variance	12.5%
2015/16	
composition variance	14.5%

Source: MOFPS data as presented in Annex 3A

2.3 Expenditure from contingency reserves

46. The contingency (or reserve in PI-2.1) amounts to less than 1 per cent of total expenditure (see data in annex 3A). Score A

PI-3 Revenue out-turn

	2016	Minimum Requirements
PI-3 Revenue out-turn	B+	Scoring Method M2
3.1 Aggregate revenue out-turn	A	Actual revenue was between 97% and 106% of the budget revenue in at least two of the last three years.
3.2 Revenue composition out-turn	B	Variance in revenue composition was less than 10% in two of the last three years,

47. **This indicator measures the change in revenue between the original approved budget and end of year out-turn (actuals).** The assessment is based on the budget and actual revenue from fiscal years 2013/14, 2014/15 and 2015/16.

3.1 Revenue out-turn

48. **Revenue out-turn measures the total value of all revenues actually received compared to the original budget plan.** The revenue budget and outturn for the last three completed years is shown in table 3-6. The actual revenues have consistently exceeded budgeted revenues with a maximum variation of 3.9% in the last three years. Score A

Table 3-4: Revenue Budget and Actual						
J\$ million	2013/14		2014/15		2014/15	
	Budget	Actual	Budget	Actual	Budget	Actual
Total Revenue	396,979.5	407,160.2	411,716.1	427,888.6	455,835.8	458,101.4
Actual as % of Budget	102.6%		103.9%		100.5%	

Source: MOFPS

3.2 Revenue composition out-turn

49. **Revenue composition is measured having regards to the composition of the approved budget by revenue type as compared to the composition of actual revenues received.** Revenue by type of revenue and the composition variance for each of the last three completed fiscal years is shown in tables 3-7, 3-8 and 3-9. Variance in revenue composition was more than 5% but less than 10% in all three years. Score B

Table 3-5 Variance in Revenue Composition 2013/14 J\$ mill		
	2013/14	
Revenue Head	Budget	Actual
Total Revenue	396,979.5	407,160.25
composition variance	8.6%	
	2014/15	
Administrative or Functional Head	Budget	Actual
Total Revenue	411,716.14	427,888.6
composition variance	9.5%	

Revenue Head	2015/16	
	Budget	Actual
Total Revenue	455,835.8	458,101.4
composition variance	6.9%	

Source: MOFPS

3.2 Transparency of public finances

PI-4 Budget classification

	2016	Minimum Requirements
PI-4 Budget classification	A	
4.1 Budget classification	A	Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards or a classification that can produce consistent documentation comparable with those standards. Program classification may substitute for sub-functional classification if it is applied with a level of detail at least corresponding to sub-functional classification.

50. **This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards.** The assessment is based on the classification system used in the 2016/17 budget estimates and 2015/16 in-year budget execution reports.

51. **The Jamaican Chart of Accounts (CoA) was approved in 2015.** It was constructed to harmonize with the IMF Government Finance Statistics Manual (GFS) 2001, Cash IPSAS and COFOG to address the financial reporting requirements of the users of the general purpose financial statements. The CoA was developed in accordance with International Standards but modified to meet those requirements of specific interest groups such as project donors, without the need to keep an additional set of accounts for the respective projects. The chart of accounts manual, published in September 2015, shows an 8 segment, 45-digit CoA (Table 3-6).

Table 3-6

Segment Group No.	Segment Group	Segment	No. of digits
1	Organization	Level 1 - Ministry Code (2 digits) Level 2- Department /Public Body (3 digits) Level 3 –Internal Organization (3 digits)	8
2	Financial Pattern	Type -Capital/Recurrent (1 digit) Sub-Type (1 digit)	2
3	Fund Source	Funding Body (3 digits) Loan/Grant (1 digit)	4
	Function	Function (2 digits)	4

Segment Group No.	Segment Group	Segment	No. of digits
4		Sub-Function (2 digits)	
5	Programme	Programme (3 digits) Sub-Programme (2 digits)	5
6	Project	Project (4 digits) Sub-Project or Component (2 digits)	6
7	Activity	Activity (4 digits) Sub-Activity (2 digits)	6
8	Economic Classification (Object)	Category (1 digit) Object (1 digit) Sub-object (2 digits) Detailed Sub-object (2 digits)	6
9	Location	Parish (2 digits) Constituency (2 digits)	4
	Total Coding Characters	Total	45

52. **The manner in which the various elements of the CoA are used in the Budget, in-year reporting and financial reports is presented in table 3-7.**

	Organization	Function/Sub-Function	Financial Pattern ¹	Program/Sub-Program	Activity/Project	Economic Object
Budget Estimates	Yes	Yes	Yes	Yes	Yes	Yes
Expenditure Reports	Yes	Yes	Yes	Yes	Yes	Yes
CoA	Yes	Yes	Yes	Yes	Yes	Yes

¹ Projects are delineated into Capital A and Capital B reflecting source of funding: domestic (A) or donor grants (B)

53. **The economic segment specified in the CoA manual is broadly consistent with GFS 2001.** However, the segment Financial Pattern - Capital B aggregates funds for development, expansion, improvement and investment projects provided by GOJ domestic revenue and loans or grants from multilateral/bilateral organizations, which is inconsistent with the GFS 2001. This Financial Pattern can be mapped onto either recurrent or capital classification (see Table 2-4) allowing the Government to report in the GFS 2001 standard. Score A

PI-5 Budget documentation

	2016	Minimum Requirements
PI-5 Budget documentation	B	
5.1 Budget documentation	B	Budget documentation fulfills 7 elements, including at least 3 basic elements (1-4).

54. **This indicator assesses the comprehensiveness of the information provided in the annual budget documentation.** The assessment is based on the documentation for the 2016/17 budget which was presented to Parliament on April 14, 2016 and published on May, 31 2016.

PI-5.1 Budget documentation

55. **The key budget documents include the Fiscal Policy Paper, the budget address, estimates book, details of revenue and the book of loan receipts and the annual update of the medium term debt management strategy.** The Government of Jamaica (GOJ), through amendments to the Financial Administration and Audit (FAA) and Public Bodies Management and Accountability (PBMA) Acts in March 2014, adopted enhanced fiscal rules. The rules require a Fiscal Policy Paper (FPP) be tabled by the Minister for Finance in both Houses of Parliament. The FPP is a comprehensive document, including information on the economic outturn of the previous financial year; the performance of the first quarter of the financial year; projections to the end of the current financial year; and projections for the succeeding financial year and the medium term.

56. **The FPP captures all of the key elements for the preparation of the budget.** This includes, but is not necessarily limited to, a review of the previous year's performance and performance of the current year up to the time of preparation, and projections of key macroeconomic indicators such as GDP, inflation rate and exchange rate. It also contains fiscal risks in the implementation and execution of the budget. The FPP is reviewed and that review is published by the Auditor General. Ministries consulted confirmed the FPP is an important and useful document in the preparation of the budget.

57. **The FPP is prepared by the Ministry of Finance and the Public Service in collaboration with other Government agencies.** This includes other line Ministries, the Planning Institute of Jamaica (PIOJ) and the Statistical Institute (STATIN). The FPP for the fiscal year 2016/17 is dated 14th April 2016.

58. **The budget speech is a narrative that outlines measures implemented in the previous fiscal period, a review of the macroeconomic situation including references to growth, inflation, balance of payments, exchange rate movements and monetary conditions.** It also presents the strategy to be pursued in the fiscal year as well as growth initiatives to be implemented. The budget speech is presented by the Minister for Finance and the address initiates the parliamentary discussion on the budget.

59. **The statement of Revenue and Loan Receipts and Estimates of Expenditure provides the numerical details of the budget.** The Estimates of Expenditure form the basis and content of the Appropriation of Bill. The Estimates of Expenditure also contains information on objectives of MDAs, anticipated physical targets from the implementation of the capital program and a summary of the targets achieved in the previous fiscal year.

60. **Table 3-8 below summarizes the elements contained in the Budget documents.** All four (4) of the basic elements can be found in the budget documents prepared and presented by the Government of Jamaica as well as four (4) additional elements, resulting in a total of eight (of 10) elements. Score B.

Table 3-8: Information contained in budget documentation for 2016/17			
Item		Included	Source & Comments
Basic elements			
1	Forecast of the fiscal deficit or surplus, or accrual operating result	Yes	Information contained in pg. 7 and pg. 65 of Fiscal Policy Paper (FPP)
2	Previous year's budget outturn, presented in the same format as the budget proposal	Yes	Details of revenue and loan receipts and estimates of expenditure include, provisional/actual expenditure 2014/15, revised estimates 2015/16 against budget estimates 2016/17.
3	Current year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn	Yes	Details of revenue and loan receipts and estimates of expenditure includes, provisional/actual expenditure 2014/15, revised estimates 2015/16 against budget estimates 2016/17; also found in the FPP pg. 66 and 67
4	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates	Yes	Details of revenue and loan receipts and estimates of expenditure includes, provisional/actual expenditure 2014/15, revised estimates 2015/16 against budget estimates 2016/17; also found pg. 66 and pg. 67 of FPP. This is at the level of Ministerial Vote with economic categories, including summaries of expenditure and revenue.
Additional elements			
5	Deficit financing, describing its anticipated composition	Yes	The budget speech identifies the financing of the budget. Details are provided on the precise sources of funding for the public investment program in the FPP: pg. 73, appendix VI pg. 106 of the FPP and in the details of the capital budget in the estimates of expenditure. Projected debt data is

Table 3-8: Information contained in budget documentation for 2016/17		
Item	Included	Source & Comments
		also provided. The annual situation is set out in the Medium Term Debt Management Strategy update.
6	Yes	Forecasts of GDP, inflation, oil price and imports are included in the FPP at pg. 7. Details are provided in Part II, Macroeconomic Framework of the FPP from pg. 34.
7	Yes	Details set out in Budget Estimates and Medium Term Debt Management Strategy as well as Fiscal Policy Paper
8	No	The financial statements include limited information on financial assets but these are not collated and included in the budget documentation package or published.
9	Yes	Section on fiscal risks are contained in the FPP, appendix VII pg. 133 of FPP; sources of fiscal risks summarized in Box VII of the FPP.
10	No	Information provided for revenue where each policy measure is quantified but this is not done for expenditure.
11	Yes	A section titled Macroeconomic Outlook FY 2016/17 to 2019/20 is included in the FPP from pg. 34
12	No	Estimates of Tax Expenditures Reports published on the Ministry of Finance website annually. The 2016 Report covers the period 2012 to 2014. While the documents are published in line with the budget documentation, their timeliness means that they are not useful for the current budget.

Source: 2016-17 Budget Documents

PI-6 Central government operations outside financial reports

	2016	Minimum Requirements
PI-6 Central government operations outside financial reports	B+	Scoring Method M2
6.1 Expenditure outside financial reports	A	Expenditure outside government financial reports is less than 1% of total BCG expenditure.
6.2 Revenue outside financial reports	A	Revenue outside government financial reports is less than 1% of total BCG revenue.
6.3 Financial reports of extra-budgetary units	C	Detailed financial reports of the majority of extra-budgetary units are submitted to government annually within nine months of the end of the fiscal year.

61. **This indicator measures the government’s depth of knowledge of revenue and expenditure reported outside the central government budget.** The assessment of this indicator is based on the information and reports available for last completed fiscal year 2015/16.

PI-6.1 Expenditure outside financial reports

62. Public bodies which perform government policy functions and receive most of their revenue from government subsidies are considered autonomous, extra-budgetary units. The expenditures for each extra-budgetary unit are presented in the Jamaican Public Bodies Estimates of Revenue and Expenditures for the year ending March 2017.⁶ This report lists audited expenditures for 2014/15, estimates of expenditure for 2015/16 and projected expenditures for 2016/17 fiscal years and covers all of the extra-budgetary units. No other extra-budgetary expenditure was identified. Score A

PI-6.2 Revenue outside financial reports

63. **Revenues for each extra-budgetary unit are presented in the Jamaican Public Bodies Estimates of Revenue and Expenditures for the year ending March 2017.** This report list audited revenues for 2014/15, estimates of revenues for 2015/16 and projected revenues for 2016/17 fiscal years. No other extra-budgetary revenue was identified. Score A

PI-6.3 Financial reports of extra-budgetary units

64. Each of the extra-budgetary units are, by the *Public Bodies Management and Accountability Act (PBMA)*, required to submit annual estimates of revenue and expenditure with respect to the ensuing financial year. The report should also contain a summary of the

⁶ See table 2.5 regarding categorisation

Public Body's Corporate Plan along with information that can be used for the Ministry of Finance in its production of the annual Fiscal Policy Paper. The PBMA legislates that annual reports are to be submitted within 4 months of year end, but in FY 2014/15 only 38% of the entities submitted the annual fiscal year-end report within 4 months, 24% submitted within 4-6 months, 26% submitted after 6 months and 12% had not submitted by year end.

65. However, the indicator is calculated based on contribution to total expenditures, thus extra-budgetary units (including social security funds) submitting the Annual Financial Reports within 3 months of end of FY accounted for 3%, 3-6 months after end of FY 62% of expenditure, 6-9 months after end of FY 17%, and more than 9 months after end of FY 18%; i.e. units representing more than 50% but less than 75% of expenditure submitted the reports within 6 months of end of FY. Score C

PI-7 Transfers to sub-national governments

	2016	Minimum Requirements
PI-7 Transfers to sub-national governments	C+	Scoring Method M2
7.1 Systems for allocating transfers	A	The horizontal allocation of all transfers to subnational governments from central government is determined by transparent, rule based systems.
7.2 Timeliness of information on transfers	D	Performance is less than required for a C score.

66. **This indicator assesses the transparency and timeliness of transfers from central government to sub-national governments with direct financial relationships to it.** It considers the basis for transfers from central government and whether sub-national governments receive information on their allocations in time to facilitate budget planning. The assessment of this indicator is based on fiscal year 2015/16.

PI-7.1 Systems for allocating transfers

67. **Systems for allocating transfers from central government to the local authorities are clearly described in legislation and adhered to.** *The Parochial Rates and Finance Act* provides for local authorities to share in the revenue generated through property taxes and vehicle registration fees within their respective communities. Property taxes are collected by TAJ for which they charge an administration fee of 2.5%. The rest of the funds generated, less 10%, are divided amongst the 14 Municipal Corporations. The 10% is held at the Ministry of Local Government to create an Equalization Fund that is available to each on a needs basis through a request to the Minister. Examples of a need might be to prepare for a hurricane, other calamities or unforeseen events requiring attention. 25% of the revenues generated by the vehicle registration are transferred to respective local authorities and the rest is divided up according to the number of miles of parochial roads in each local authority. GoJ contributes

General Assistance Grants to cover salaries and administration costs of local authorities which are based on historical amounts adjusted for inflation annually across the board.

68. **Overall, only the funds from the Equalization Fund is not distributed through transparent, rules based systems; the fund represents less than 10% of total transfers.**

Score A

PI-7.2 Timeliness of information on transfers

69. **The Timeliness of information on transfers is currently not formalized.** Letters are sent to the local authorities informing them of the Budget process, urging them to be conservative in their estimates. Local Authorities use their previous revenues from the Parochial Revenue Fund (PRF) and the amounts of their General Assistance Grants from the previous budget. There are no formal ceilings set for each local authority. Once the Budget process is completed for the central government the Minister for Local Government informs the Local Authorities of their estimate. This process means that parishes and municipalities do not receive their estimates until 3 months into the fiscal year. Score D

70. **Parliament has passed new legislation, entitled the Local Government (Financing and Financial Administration Act), effective March 2016, which formalizes the Budget Process for Local Authorities.** The legislation contains provisions for a Budget aligned to that of the central government and will require an operational budget, capital budget, a strategic plan for the next 3 years, and local authorities should adopt a full cost recovery approach. Budgets will be granted provisionally by March 31st and granted finally 30 days after the passage of the appropriation act.

PI-8 Performance information for service delivery

	2016	Minimum Requirements
PI-8 Performance information for service delivery	D	Scoring Method M2
8.1 Performance plans for service delivery	D	Performance is less than required for a C score.
8.2 Performance achieved for service delivery	D	Performance is less than required for a C score.
8.3 Resources received by service delivery units	D	Performance is less than required for a C score.
8.4 Performance evaluation for service delivery	D	Performance is less than required for a C score.

71. **This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation, in year-end reports, and in audit reports or performance evaluation reports.** It also measures the extent to which service delivery units receive and spend resources allocated in the budget. The assessment is based, for dimension 8.1 the next fiscal year, 2016-17. For dimension 8.2, the last completed fiscal year, 2015/16 and for dimension 8.3 and 8.4, the last three completed fiscal years, 2013/14, 2014/15 and 2015/16.

PI-8.1 Performance plans for service delivery

72. **Information on performance is planned but published for capital items only.** Individual MDAs have identified some physical targets for capital items. These are published in the Estimates of Expenditure. No indicators were identified for recurrent expenditure. As such, the anticipated physical targets for projects are stated for the fiscal year 2016/17. The Government of Jamaica is moving towards a budget process that is informed by program performance information. In that regard, performance indicators will be identified for various programmes. A Whole-of-Government Business Plan has been in the making since 2014, but a final version has not been completed and published. In addition, the FY 2016/17 Estimates of Expenditure document includes high level mission and vision statements for some MDAs.

73. **For individual MDAs, performance indicators are to be included in the Corporate Plans (or Strategic Business Plans).** These plans are to be submitted to the Office of the Cabinet Secretary, but are not published or operationalized within the FY 2016/17 budget. Several MDAs have completed and published such plans, but they do not cover the majority of MDAs and some of them are out of date. Further, every MDA is required to submit annual reports to the Office of the Cabinet Secretary, but these were not made available for Ministries. The Office of the Cabinet Secretary documents the status of those reports that are required from the agencies. Score D

PI-8.2 Performance achieved for service delivery

74. **There is no annual reporting on achieved outputs and outcomes.** Progress reports on the Medium-Term Socio Economic Policy Framework (MTF) 2011-2014 and 2012-2015 were both completed in 2015, but they have not been published with details that allow identification of progress against targets for government MDAs or programs⁷. No other performance reporting document was identified. Score D

PI-8.3 Resources received by service delivery units

75. Information is not collected for front line service delivery units, with the exception of the few units specifically identified in the budget. Documentation as to allocation to individual service delivery units was not apparent. However, the estimates of expenditure provide information on revised estimates, including detailed estimates of the key Ministries, and budget execution reports provide actual expenditure with a break-down comparable to the estimates. Within the Ministry of Health, there are a number of sub-programmes, critical among which are those for delivery of health care in four regional Health Districts, namely West, North-East, South-East and South Regional Health Districts. In these estimates, provision

⁷ PIOJ has published the related MTF summary reports. PIOJ also publishes data on broad social and economic indicators in its periodic reports on Living Conditions Surveys and Economic and Social Surveys.

is made to finance service delivery for all the hospitals, health centres and specialist institutions located in the respective regions. The budget for the Ministry of Education includes estimates of expenditure for education administration, pre-primary education, secondary education, tertiary education and other education not defined by level. While the specific mention is made of the tertiary level institutions and those which are not defined by level, the list of individual pre-primary, primary and secondary is not stated in the estimates and expenditure by level may include various overhead items. For the Police Department, the estimates of expenditure are not presented in a manner to determine how much is allocated on a district level. The ministries of health and education together with the police department constitute the three largest expenditure units, accounting for more than 50% of total government expenditure (allocated), ref. annex 3A. No evidence could be identified on collection of data on actual resource allocations to individual front line service units for any of those main budget entities. Score D

PI-8.4 Performance evaluation for service delivery

76. **Program evaluation is not part of the budget cycle and there is no evidence of program evaluation having been used as a tool for supporting budget resource allocation.** However, Information exists for some key ministries. Within the Ministry of Health, Conformance Reports were posted on the Ministry of Health website for the north-east, south-west, southern and western divisions. These were in respect of the year ending 2015 and were posted to the website on 6th November 2015. The Ministry of Education indicates in the Estimates of Expenditure (41000B-8) quality improvements in literacy, numeracy at Grade 4 level and the drafting of policies to support initiatives related to improved access and increased capacity in the Ministry of Education and in schools. This suggests that there is some evaluation of programs. In addition, the Auditor General has conducted evaluations of some entities and these are published on the Auditors General's website <http://www.auditorgeneral.gov.jm/reports>. There are 27 performance/activity reports. These reports cover single issues such management of police vehicles, prescription drugs, management of diabetes or individual departments but would not cover 25 per cent or more by value. Score D

PI-9 Public access to fiscal information

	2016	Minimum Requirements
PI-9 Public access to fiscal information	D	
9.1 Public access to fiscal information	D	Performance is less than required for a C score.

77. **This indicator assesses the comprehensiveness of fiscal information available to the public.** The assessment is based on the information available for the most recent fiscal year 2015/16.

PI-9.1 Public access to fiscal information

78. **The main budget documents were presented to the Houses of Parliament as required by Law.** The budget documents for 2016/17⁸ were all submitted to the Houses of Parliament on 14th April 2016. The budget was passed on 31st May 2016 and was subsequently placed on the Government website.

79. **Budget execution reports as well as individual MDA reports are prepared internally by most entities.** These are not published either by the MDA or by the Auditor General. Annual reports which capture the essence of the activities undertaken by MDAs must be prepared and submitted to the Office of the Cabinet Secretary. The website of the Cabinet Office confirms that reports were received for some agencies but there is no reference to the annual reports of Ministries. The Estimates of expenditure contains information of the physical targets achieved on the capital program. That information is not available for recurrent activities.

80. **The key budget documents are all made available to the public on approval of the Houses of Parliament.** However, individual MDA audit reports are not published. The report of the Auditor General, which includes information on audits, was prepared and submitted within the twelve-month period required. That report is published on the website of the Auditor General.

81. **Two of the basic elements are provided to the public.** Two additional elements are available as summarized in the table 3-9. Score D

82. **Table 3-9 below summarizes the elements relevant to public access to fiscal information:**

	Item	Available	Source
Basic elements			
1	Annual executive budget proposal documentation: A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive submitting them to the legislature	Yes. 2016-17 Budget documents were published on April 14, less than one week after the Budget was passed to Parliament.	Govt. of Jamaica and Ministry of Finance website
2	Enacted budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law	Yes. Approved Appropriation Act passed 31 st May 2016 and published on website immediately thereafter.	Website of the Parliament

⁸ For the composition of the budget documents package see PI-6

Table 3-9: Public access to fiscal information			
	Item	Available	Source
3	In-year budget execution reports: The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28	No. The monthly and six-monthly execution reports by MDAs are not published.	
4	Annual budget execution report: The report is made available to the public within six months of the year end	No. FPP approved in accordance with the FAA Act contains reviews of some measures and macroeconomic indicators. The Estimates of Expenditure reports on physical targets achieved on the capital program. Detailed budget execution report with narrative is provided for only a limited range of aspects of the budget.	
5	Audited annual financial report, incorporating or accompanied by the external auditor's report: The report(s) are made available to the public within twelve months of the year end	No. The Auditor General's report for 2014/15 submitted to Parliament by letter dated 22 nd December 2015 which is less than 12 months of the end of the financial year. However there is no audited annual financial report only a statement based on sample audits of MDAs financial reports with respect to an audit opinion.	Website of the Auditor General
Additional elements			
6	Pre-Budget Statement: The broad parameters for the executive budget proposal regarding expenditure, planned revenue and debt is made available to the public at least four months before the start of the fiscal year	Yes. FPP is prepared and provides the parameters within which the budget is to be prepared. Interim FPP prepared and published six months before the start of the fiscal year	FPP placed on Govt. of Jamaica and Ministry of Finance website
7	Other external audit reports: <i>All</i> non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	No. No other reports prepared by the Auditor General are published.	Website of the Auditor General
8	Summary of the Budget Proposal: A clear, simple summary of the Executive's Budget Proposal or the Enacted Budget accessible to the non-budget experts, often referred to as a 'citizens' budget', and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks	No. A draft 'citizens' budget for 2016/17 is prepared but not yet approved for publication	Meetings with the Ministry of Finance

Table 3-9: Public access to fiscal information			
	Item	Available	Source
	of the Executive Budget Proposal's submission to the legislature and within one month of the budget's approval respectively		
9	Macroeconomic forecasts: The forecasts as assessed in PI-14.1, are available within one week of their endorsement	Yes. Information contained in FPP and FPP published within one week of the approval; information also contained in the budget call.	Govt. of Jamaica and Ministry of Finance website

3.3 Management of assets and liabilities

PI-10 Fiscal risk reporting

	2016	Minimum Requirements
PI-10 Fiscal risk management	D+	Scoring Method M2
10.1 Monitoring of public corporations	C	Government receives financial reports from most public corporations within nine months of the end of the fiscal year.
10.2 Monitoring of sub-national government	D	Performance is less than required for a C score.
10.3 Contingent liabilities and other fiscal risks	C	Central government entities and agencies quantify some significant contingent liabilities in their financial reports.

83. **This indicator measures the extent to which fiscal risks to central government are reported.** Fiscal risks can arise from adverse macro-economic situations, financial positions of sub-national governments, public corporations, and contingent liabilities from central government's own programs and activities, including extra budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. The assessment is based on the information available for the most recent fiscal year 2015/16.

PI-10.1 Monitoring of public corporations

84. **With a few exceptions, PBs are required by law to submit their annual reports within 4 months of the fiscal year-end.** As a routine activity, the Public Enterprises Division (PED) of MOFPS monitors the submission of annual financial reports of all 64 self-financing PBs to their respective parent ministries. 13 of those PBs are commercially oriented, whereas 51 are considered non-commercial statutory agencies. Table 3-10 below shows the timeliness of the submissions by number of entities and in terms importance (weighted by the PBs' total own revenue). The large difference between reporting within 6 months and 9 months is due to reporting by Petrojam Ltd which accounts for more than half of the total turnover by the commercially oriented PBs.

85. **Very few of the self-financing PBs publish their audited annual financial reports.** As at October 2016, such reports for FY2014/15 could be found for 2 of the 4 largest commercial PBs on their respective websites (i.e. 18 months after the end of the FY), representing 78% of total commercial PB revenue.

86. **The government consolidates the financial information on all PBs into a separate volume of the annual budget documentation to Parliament (last issue April 2016) - the 'Jamaica Public Bodies' volume.** It includes a consolidated overview of the financial status of all self-financing PBs (irrespective of size) with commentary, including summarized financial information for FY2014/15 (actual), FY2015/16 (estimated outturn) and FY2016/17 (budget estimates). For the largest 4 commercial PBs (representing 94% of commercial PB turnover) the

actual information had been audited but this publication was issued about 12 months after the end of the FY which the data refers to. Score C

Table 3-10: Annual Financial Reporting by Public Corporations (Commercial PBs)		
Entities submitting unaudited financial statements to parent ministry for FY2014/15	Number of entities	Weighted by total revenue excl. govt subsidy
Within 6 months of end of FY	9	25%
6-9 months of end of FY	3	73%
9-18 months after end of FY	1	2%
Not yet submitted after 18 months	0	0%
Total	13	J\$ 285 billion

Source: MOFPS/PED

PI-10.2 Monitoring of sub-national government

87. **According to the Loans (Local Authorities) Act of 1958, municipalities and parishes may raise loans with the approval of the Minister of Finance, and such loans may be guaranteed by central government.** Reportedly, no such loans are on the books of any of the 14 local authorities.

88. **From time to time, expenditure arrears are generated by the local authorities.** The AuG's report for 2015 mentions that NWC is owed payments from various non-performing parishes. Moreover, the assessment team was informed that central government occasionally clears payment arrears of some local authorities (with low own revenue collection) for street lighting and garbage collection, partly because this is debt to PBs owned by central government and partly because non-payment could lead to termination of services with very visible consequences. In other cases, MLGCD acts as mediator between the respective local authorities and the contractors. MLGCD does not monitor such arrears systematically and there is no record of current or recent status.

89. **Local authorities are obliged to report to MLGCD on execution of their budgets by submitting monthly reports of revenue collection and expenditure, and they all do so, although often with delays (up to 12 months).** MLGCD's Parochial Revenue Fund Unit monitors submissions and prepares consolidated quarterly reports on the status of budget execution.

90. **According to the Parish Councils Act section 127 and the Municipalities Act section 12, AuGD shall audit all local authorities.** For this purpose, they have been submitting annual financial reports to AuGD. The financial reports shall include all sources of revenue for the local authorities i.e. including central government unconditional and earmarked grants, receipts from the PRF or made from PRF on their behalf, as well as own revenue collections. There are reportedly major backlogs (several years) in preparation of those statements due to AuGD's dissatisfaction with the content/quality of the reports, which has led

to AuGD issuing formats and instructions to be followed by the local authorities in revising and resubmitting reports for earlier years. Nevertheless, the AuGD's annual report 2015 mentions that two municipal corporations (Manchester and Portmore) were audited during FY2014/15.

91. **The annual financial reports of the local authorities are generally not published.**

There is no requirement to do so. The local authorities maintain their own websites but do not publish their financial reports. MLGCD does not post financial reports of local authorities on its own website. Score D

PI-10.3 Contingent liabilities and other fiscal risks

92. **MOFPS issues a Fiscal Risk Statement as part of the annual Fiscal Policy Paper for the purpose of assessing the probability of deviations of medium term fiscal outturns or other fiscal forecasts from expectations or budget.** The latest issue is from 3rd May 2016. The statement outlines GOJ's exposure to major fiscal risks originating from various sources such as the macroeconomic assumptions used in preparing the FY 2016/17 budget and medium term projections, public debt dynamics, the operations of state owned enterprises as well as public-private partnerships (PPP) and contingent liabilities. The Statement describes each category of risks, quantifying them where practicable and outlining the risk management strategies which are already in place or which are being explored to cushion the fiscal program from any realization of these risks. Fiscal risks from likely changes in macro-economic parameters such as economic growth, commodity prices, exchange rates and inflation as well as from changes in government policy are covered by PI-14.

93. **Contingent liabilities covered by the fiscal risk statement covers natural disasters, financial losses of public bodies (including impact of monetary policy on Bank of Jamaica's balance sheet), financial losses and debt guarantees of PPPs, impact of public wage negotiations, expenditure arrears, and judicial awards.** Historical economic and/or fiscal data is provided for most of these risks, but potential impact of future risks are quantified only for some significant items⁹ and related to the provisions made in the FY2016/17 budget. In the case of natural disasters some estimates are made of likely future costs of such events and the cost of related insurance coverage purchased.

94. **Whilst considerable progress has been made in recent years in identifying and quantifying contingent liabilities, several gaps are recognized, particularly in the comprehensiveness of costing the impact.** GOJ is receiving technical assistance from the WB for continued progress in this area with focus on risk from natural disasters. Score C

⁹ The Fiscal Policy Paper includes quantitative estimates of (i) the impact of exchange rate risk on the public debt (page 138), (ii) the costs of natural disasters including how this affects budget allocations for insurance premiums and direct pay-out (p. 140-141); (iii) the impact on the budget of guarantees made for loans of public bodies (p. 142-144); the estimated budget overrun from wage negotiations in progress (p. 145-146); expenditure arrears (p. 147).

PI-11 Public investment management

	2016	Minimum Requirements
PI-11 Public investment management	D+	Scoring Method M2
11.1 Economic analysis of investment proposals	D	Performance is less than required for a C
11.2 Investment project selection	D	Performance is less than required for a C
11.3 Investment project costing	C	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents.
11.4 Investment project monitoring	C	The total cost and physical progress of major investment projects are monitored by the implementing government unit. Information on implementation of major investment projects is prepared annually

95. **This indicator assesses the economic appraisal, selection, costing and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects.** The assessment is based on the fiscal year 2015/16.

PI-11.1 Economic analysis of investment proposals

96. **In 2014 the FAA was amended to strengthen the legislative arrangements for public sector investment.** Draft national guidelines have been prepared¹⁰ to support the investment management system covering: the design, appraisal, implementation, and monitoring of all projects. A Public Investment Management Secretariat (PIMSEC) within the MOFPS has been created to support this process. All public sector investment projects must be submitted to the PIMSEC prior to cabinet consideration. Unpublished guidelines outline the requirements for the appraisal of major investment projects including cost benefit analysis that take into account the environmental, economic and social costs of projects.

97. **For the year of appraisal, 2015/16 all investment projects were published in the FPP.** The most significant project listed relates to financing from CHINA-EXIM bank to upgrade key pieces of infrastructure (Major Infrastructure Development Program). This multi-year program is valued at around USD 350 million. There is no published cost-benefit analysis accompanying this project. An internal analysis of the project was not provided to the PEFA team. Given GoJ's tight fiscal situation most investment projects are financed through its

¹⁰ The guidelines were approved by the Cabinet on 12th December 2016.

development partners. These key development partners publish cost-benefit analysis for the projects they undertake with the GoJ. Score D

PI-11.2 Investment project selection

98. **The guidelines to establish project prioritization are currently in draft form and are not yet published.** While the guidelines are not yet published, all MDA's are required to submit all projects to the Public Investment Management Committee (PIMC) which screen and prioritize the projects prior to recommending to cabinet for the inclusion in the Budget's Public Sector Investment Program (PSIP).

99. **The procedures for project selection are clearly set out in the draft guidelines.** The draft guidelines set out a scoring mechanism that ranks the projects by their key performance indicators including: alignment to the national objectives; social viability; economic impact; total project cost; and available fiscal space. Given the amendments were to the FAA were not in place until April 2014, full implementation of the guidelines has not yet occurred. Score D.

PI-11.3 Investment project costing

100. The Budget papers clearly include in detail both the capital and recurrent costs of the projects for only the current fiscal year¹¹. The Estimates of Expenditure Budget documentation include details for the cost of all investment projects, and a breakdown between recurrent and capital expenditures for the budget year only. In addition, the FPP details multi-year projections of costs for all major investment projects, but does not provide a multi-year breakdown between capital and recurrent costs. The draft PIM guidelines, once fully implemented, will require a breakdown of capital and recurrent costs out into medium-term. Score C

PI-11.4 Investment project monitoring

101. **Progress of individual investment projects is set out in the annual Budget documentation.** There is also a listing of physical implementation milestones. This monitoring is undertaken by the project branch of the Public Expenditure Division (PEX) in the MOFPS. The Public Enterprise Division (PED) monitors projects being implemented by the public bodies. For the largest infrastructure project, the Major Infrastructure Development Program, milestones include the completion of key roads and the completion of engineering feasibility studies. The under-spend for 2015/16 was J\$1.4 billion less than the Budgeted amount, or a miss of 43 percent. No explanation is given in the Budget documentation for the under-spend.

¹¹ See Estimates of Expenditures for 2015-16 available on MoFPS website

102. **The draft guidelines provide for improved monitoring for investment projects, but are not yet implemented.** No other guidelines or standard procedures for project monitoring were provided that were currently in use. The draft guidelines state that all major projects must be monitored and evaluated with the following principles: Monitoring and Evaluation must be built into every stage of the project; all projects must be monitored and evaluated; data must be captured to report on achievements; and performance measures must indicate results/success. Score C

PI-12 Public asset management

	2016	Minimum Requirements
PI-12 Public asset management	D+	Scoring Method M2
12.1 Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets.
12.2 Non-financial asset monitoring	D	Performance is less than required for a C
12.3 Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of nonfinancial assets are established. Partial information on transfers and disposals is included in budget documents, financial reports, or other reports.

103. **This indicator assesses the management and monitoring of government assets and transparency of asset disposals.** The assessment is based on the fiscal year 2015/16.

PI-12.1 Financial asset monitoring

104. **The government has a recording of its major financial assets held by the central government.** The Accountant General was able to provide information on a list of all securities and shares held by the central government for the fiscal-year 2015/16. This list is provided to the Accountant General annually as required under the FAA Act. All shares and securities are listed at their acquisition cost. These are not published. Score C

PI-12.2 Non-financial asset monitoring

105. **The government maintains a register of all its land holdings.** The data is captured by the TAJ's property tax division. There is information held on all land owned by the central government, and the valuations are the most recent ones that have been updated by the TAJ. Even though the central government is excluded from property tax, the information is still captured. Management of the physical buildings is under the authority of the National Land Commission. There are no valuations or inventories on the buildings and structures. Usage of any assets is unrecorded. Score D

Categories	Sub-categories	Where captured	Comments
Fixed Assets	Building and structures	No evidence	
	Machinery and equipment	No evidence	

Categories	Sub-categories	Where captured	Comments
	Other fixed assets	Motor Vehicles	The government is developing policy on the management of its motor vehicles
Inventories		No evidence	
Valuables		No evidence	
Non-produced assets	Land	Tax Administration Jamaica	The property tax system has a recording of all land holdings in Jamaica.
	Mineral and energy resources	No evidence	
	Other naturally occurring assets	No evidence	
	Intangible non-produced assets	No evidence	

PI-12.3 Transparency of asset disposal

106. **There are published guidelines for the sale and disposal of government land.** The policy framework for the divestment of government land was published in 2015.¹² The policy framework seeks to provide “equity, accountability, integrity, and transparency.” For instance, land sales over certain values must be advertised, with the aim of achieving market value. All divested land must be valued by the Commissioner of Lands Valuations or a Chartered Valuation Surveyor. All land sale proceeds enter the consolidated funds and information on actual and budgeted sales are available within the Budget documentation.¹³ No published procedures on financial asset sales were published. Financial asset sales are recorded in the Budget as capital revenue. Score C

PI-13 Debt management

	2016	Minimum Requirements
PI-13 Debt management	B+	Scoring Method M2
13.1 Recording and reporting of debt and guarantees	C	Domestic and foreign debt and guaranteed debt records are updated annually. Reconciliations are performed annually. Areas where reconciliation requires additional information to be complete are acknowledged as part of documentation of records.

¹² www.mwh.gov.jm/information-resources/policies/finish/8-policies/269-divestment-of-government-owned-lands-2015+&cd=1&hl=en&ct=clnk

¹³ <http://www.mof.gov.jm/budgets/revenue-estimates/file/936-financial-statements-revenue-estimates-2015-2016.html>

13.2 Approval of debt and guarantees	A	Primary legislation grant authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. Annual borrowing must be approved by the government or legislature.
13.3 Debt management strategy	A	A current medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records and controls are in place to ensure efficient and effective arrangements. The assessment is based, for dimension 13.1 at time of assessment. For dimension 13.2, last completed fiscal year, 2015/16 and for dimension 13.3, at time of assessment, with reference to the last three completed fiscal years.

PI-13.1 Recording and reporting of debt and guarantees

107. **Annual reporting of debt and external guarantees is timely, comprehensive and regularly reconciled.** An annual report on public debt is produced and publicized, the latest issued 12th May 2016 and covering FY2015/16. It covers all public debt – external and domestic – and provides statistics on both debt stock and market operations. It also compares the year's borrowing plan with the actual outcomes.

108. **Monthly reporting is timely but excludes domestic loan guarantees.** DMB prepares monthly reports within one month of end of reporting period. The reports are posted on the MOFPS/DMB website. Breakdown is provided by external/domestic, currency, maturity, creditor category and instrument. Reconciliation with creditor records is undertaken regularly, monthly if needed.

109. **Data is provided on debt stock but none on operations.** None of the above reports include domestic debt guaranteed by GOJ as this is currently excluded from the government's definition of debt – but is likely to change in 2017. DMB keeps separate records of such guarantees and reports them to IMF annually. It also monitors them annually against the targets set in article 18 of the PDMA 2012. Score C

PI-13.2 Approval of debt and guarantees

110. **PDMA 2012 grant authority to the Minister of Finance as the only authority to borrow, issue debt and issue loan guarantees on the behalf of government.** According to PDMA 2012 article 9, the authority to raise loans for or on behalf of the government is vested solely in the minister of finance. The law defines the purposes for which loans may be raised and within which limits. It specifies how government debt shall be recorded, reported and otherwise managed.

111. **Management is vested in the DMB of MOFPS.** A single debt management entity is designated to manage the government's debt and guarantees, namely the Debt Management Branch under the MOFPS. In March 2015 MOFPS through DMB entered a formal Fiscal Agency Agreement with BOJ for the latter's role as an agent of the ministry in issuance of Treasury Bills and other marketable securities, as a banker to facilitate settlement of receipts from and payments on loans, and as a custodian of government securities and registrar of domestic securities.

112. **According to PDMA 2012 article 17, the minister of finance is given the authority to issue guarantees for loans raised by any public body.** The authority is given with a provision that prior approval of the guarantee has been obtained from Parliament and that the Financial Secretary certifies that the guarantee is consistent with the fiscal targets for total public debt. Specific quantitative targets for the total maximum of government guaranteed debt are set in the law for the period to FY2016/17 to 2026/27. Amendments to the PDMA 2012 are being prepared in order to include requirements and operations to be put in a place in the event of the assumption of debt of public bodies, and the purposes for which loans may be raised, among others. Score A

PI-13.3 Debt management strategy

113. The medium-term debt management strategy FY2016/17-FY2018/19 which covers both existing and projected government debt is approved by Parliament. Approval is given as part of the annual budget approval and includes the annual borrowing plan for the coming year which is incorporated in the strategy document.

114. **The strategy includes target ranges for interest rates, refinancing, and foreign currency risks.** The strategy covers both domestic and external government debt. It reports on developments in indicators for (a) Foreign Currency Risk, (b) Interest Rate Risk, (c) Inflation Risk and (d) Refinancing Risk as well as (e) the average cost of debt to the government (average interest rate) and sets targets for the coming three year period for each of those areas.

115. **An annual report compares the debt management objectives and borrowing plan against actual outcome.** The strategy and the annual report are both published on the DMB website and submitted to Parliament. The DMB of MOFPS is preparing a Medium Term Debt Management Strategy. The last was issued 14th April 2016 and covers the fiscal years

FY2016/17 to FY2018/19 and reports outcomes for the two preceding years. The document is publicly available on the MOFPS/DMB website. Score A

3.4 Policy-based fiscal strategy and budgeting

PI-14 Macroeconomic and fiscal forecasting

	2016	Minimum Requirements
PI-14 Macroeconomic and fiscal forecasting	B	Scoring Method M2
14.1 Macroeconomic forecasts	B	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.
14.2 Fiscal forecasts	A	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature.
14.3 Macro-fiscal sensitivity analysis	C	The macro-fiscal forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions.

This indicator assesses the extent to which clearly defined economic analysis and established medium term fiscal strategy set parameters for the budget and drive fiscal outcomes. The assessment period is the last three completed fiscal years.

PI-14.1 Macroeconomic forecasts

116. The government has demonstrated a strong capability in the preparation of macroeconomic forecasts with detailed projections published alongside Budget Documentation. The Government releases an annual fiscal policy paper (FPP) to accompany the Budget. Over the last three years the FPP has undergone changes and improvements while consistently detailing forecasts of the key macroeconomic aggregates that underlie the Budget. The last three FPPs have included details of macroeconomic forecasts for at least the current Budget year and two forward years. The FPP also outlines detailed assumptions surrounding forecasts of GDP including a written explanation, as well as an accompanying table that provides a sectoral disaggregation. The latest FPP for 2015/16 (the last completed FY) includes greater detail surrounding the CPI or inflation forecasts than in the 2013/14. CPI is a vital input into the growth rate of nominal GDP that impacts fiscal variables. In addition to GDP and CPI, the FPP includes forecasts and assumptions for the Budget year and three

additional years for: Nominal GDP; interest rates; the exchange rate¹⁴ ; international reserves; and oil prices¹⁵.

117. **Macroeconomic projections are updated annually and published in an updated FPP mid-way through the Budget year**, as required by the fiscal responsibility provisions in the FAA Act. If there is need, such as from an economic shock, projections are updated on a more frequent basis for internal purposes.

118. **The preparation of macroeconomic forecasts is coordinated through the Ministry of Finance.** The Fiscal Policy Management Unit within the Economic Management Division is responsible for the coordination of economic forecasts that feed into the Budget process. The main economic aggregates including GDP, inflation, interest rates and the exchange rate originate from the Bank of Jamaica (BOJ). The Planning Institute of Jamaica (PIOJ), a central government agency, provides inputs into the projections of GDP. While MOFPS does not directly produce the projections, it undertakes an internal review process and provides feedback and requests changes if there are anomalies or inconsistencies in the projections. In this sense, this tripartite arrangement means that there is an internal review process, which sees no single agency producing the projections without verification. Verbal evidence was provided that there are often disagreements between the tripartite parties (PIOJ, BOJ and MOFPS) whereby they come to an agreed set of projections. The review process is ad hoc in nature with no formal guidelines governing the process. Guidelines and reports from the review of projections would be helpful to institutionalize the process and provide transparency. The lack of reporting with regards to the review meant there was no evidence that the review process was substantial.

119. **The FPP is audited by the Auditor General and produces a report for Parliament.** The Public Administration and Appropriation Committee (PAAC) holds public hearings on its scrutiny of the FPP. Score B

PI-14.2 Fiscal forecasts

120. **The FPP includes forecasts for revenue, expenditure and overall balance for the Budget year and two forward years.** Revenues and expenditure projections are broken down by broad categories (economic classification). The FPP provides written explanation for the main assumptions of revenue and expenditure changes between the different years. For revenue, the FPP clearly states that the economic projections derived from PI-14.1 are used to determine revenue growth rates. The FPP also clearly states any changes from tax policy changes. On the expenditure side, any major changes from the previous year's Budget are also stated. The annual Budget speech also contains information on revenue and expenditure policy changes.

¹⁴ It is standard forecasting practice to assume the exchange rate fixed over the projection period.

¹⁵ See table 2G on page 24 of the 2015/16 FPP for details of the assumptions and forecasts.

121. **The FPP also provides written explanation for the policy deviations since the previous Budget.** No overall table is provided summarizing the changes in revenues and expenditures between Budgets so it is difficult to ascertain if the stated policy changes account for all the changes in revenue and expenditures between the Budgets. Nevertheless, the FPP clearly states in text the major changes in tax and expenditure policy. Score A.

PI-14.3 Macro-fiscal sensitivity analysis

122. **Over the last three completed fiscal years the reporting on macro-fiscal sensitivity has been mixed.** The 2013/14 and the 2014/15 FPP briefly states that adverse movements in macroeconomic variables can have a significant fiscal impact without stating what that impact could be. No alternative scenarios are provided. Over the last three completed fiscal years there are no published comprehensive scenarios undertaken to show the impact on the overall balance of changes to underlying economic assumptions.

123. **The latest FPP for 2015/16, provided a significantly improved analysis on macroeconomic risks.** The document outlines rule of thumb estimates for the impact of changes to macroeconomic assumptions along with a more detailed qualitative description of other fiscal risks such as natural disasters and oil prices. MOFPS stated they produce alternative fiscal scenarios based on different macroeconomic assumptions for internal purposes only, and have thus far chosen not to publish these results. Score C

PI-15 Fiscal strategy

	2016	Minimum Requirements
PI-15 Fiscal strategy	B	Scoring Method M2
15.1 Fiscal impact of policy proposals	D	Performance is less than required for a C score.
15.2 Fiscal strategy adoption	A	The government has adopted, submitted to the legislature, and published a current fiscal strategy that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.
15.3 Reporting on fiscal outcomes	A	The government has submitted to the legislature and published with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set. The report also sets out actions planned by the government to address any deviations, as prescribed in legislation.

124. **This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy.** It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. The assessment is based on, for dimension 15.1, last three completed fiscal years, 2013/14, 2014/15 and 2015/16. For dimensions 15.2 and 15.3, last completed fiscal year, 2015/16.

PI-15.1 Fiscal impact of policy proposals

125. **Revenue policy impacts are submitted to parliament with Budget documentation detailing total changes to revenue.** This annual document outlines the impact of revenue changes for the current fiscal year only. The FPP also outlines the fiscal impact of revenue measures. The list is not necessarily exhaustive.

126. **There is not a comprehensive list of recurrent expenditure fiscal impacts submitted to parliament each year.** Individual Ministries submit their proposed measures through the Budget process, although the MOFPS does not compile the fiscal impacts of these changes into a comprehensive list for submission to parliament. It is not possible to determine from the Budget documentation what new and existing policies are from the individual Ministry allocations. Within the text of the FPP, changes to expenditure policies are outlined with their associated fiscal impact. It is not possible to determine whether these outlined policies are the exhaustive list of policy changes that occurred as a result of the Budget process.

127. **There is a detailed list of all public sector investment projects detailed within the FPP inclusive of recurrent costs for the Budget year and two forward years.** While the list is exhaustive of all capital projects, it is not possible to determine which projects are new since the previous Budget, and whether there had been any cost revisions or changes to aspects of the project. Score D.

PI-15.2 Fiscal strategy adoption

128. **A fiscal strategy is well articulated in legislation and Budget documents.** In 2014 the GoJ amended to Section 48C of the FAA Act.

129. to update its numerical fiscal targets, including the following:

- a. To reduce the Debt to GDP ratio to 60 percent by the end of FY 2026;
- b. To reduce the wages paid by the central government to 9 percent of GDP by the end of FY 2016; and
- c. A fiscal balance that is consistent with the debt to GDP target.

130. **Compliance with these targets must be outlined in the annual FPP accompanying Budget documentation.** The FAA Act requires that the FPP outlines fiscal policies and strategies to achieve the legislated fiscal targets. The "Fiscal Management Strategy" section in the 2015/16 FPP complies with these provisions.

131. **The GoJ also agreed to numerical targets under the IMF supported structural adjustment programme during FY 2015/16.** These numerical targets included a primary balance target of 7.5 percent of GDP, and a debt to GDP target of 96 percent by the end of 2018/19. These numerical targets are published on the IMF's website for Jamaica, as well as included in the FPP's Fiscal Management Strategy for 2015/16. Score A

PI-15.3 Reporting on fiscal outcomes

132. **The FAA legislation also sets out requirements for reporting on the stated fiscal strategy.** The annual FPP accompanying the Budget documentation must include progress against the stated fiscal strategy and policy changes required to achieve the strategy. The latest amendments to the FAA Act, to take effect in 2017, now include a mechanism for an automatic adjustment of the subsequent year fiscal targets if a previous year's is missed. For the assessment year, 2015/16, the FPP stated that the 2014/15 primary balance target was met so no corrective measures were needed. Additional policies were outlined for 2015/16 to meet the fiscal targets going forward.

133. **The Government is required to set out progress against the legislated fiscal rules through the fiscal year.** Under the 2014 amendments to the FAA Act¹⁶, the government, within 6 months of the annual Budget, outlines the outturn of the previous financial year, and updates projections for the current and succeeding financial years that must be evaluated against the adopted fiscal rule. Score A

¹⁶ See 48E(3).

PI-16 Medium term perspective in expenditure budgeting

	2016	Minimum Requirements
PI-16 Medium term perspective in expenditure budgeting	D	Scoring Method M2
16.1 Medium-term expenditure estimates	D	Performance is less than required for a C score
16.2 Medium-term expenditure ceilings	D	Performance is less than required for a C score
16.3 Alignment of strategic plans and medium-term budgets	D	Performance is less than required for a C score
16.4 Consistency of budgets with previous year estimates	NA	Not applicable (no medium term expenditure estimates have been presented in the budget estimates).

134. **This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium term budget expenditure ceilings.** It also examines the extent to which annual budgets are derived from medium term estimates and the degree of alignment between medium term budget estimates and strategic plans. Assessment is based on, for dimensions 16.1, 16.2 and 16.3, last budget submitted to the legislature, i.e. for 2016/17. For dimension 16.4, current medium term budget submitted to the legislature is for 2016/17.

PI-16.1 Medium-term expenditure estimates

135. **There are no Medium-term expenditure estimates contained in the Estimate of Revenue and Expenditure for 2016/17.** As explained below, these will be included in the future. Score D

PI-16.2 Medium-term expenditure ceilings

136. **Medium-term expenditure ceilings are not part of the current budget process.** There were no aggregate Medium-term expenditure ceilings contained in the 2016/17 Budget Call. The annual Budget Calls reviewed only provide the ceilings for the upcoming fiscal year. As explained below, medium term ceilings will be incorporated as part of the reform program. Score D

PI-16.3 Alignment of strategic plans and medium-term budgets

137. **Although legally required to submit a three-year medium term budget and strategic plans, the implementation has just begun.** Each ministry is required to prepare

and submit a three-year Business Plan¹⁷ containing a financial summary of the ensuing financial year and next two following years and be consistent with the expenditure ceilings listed in the Budget Call. This information was not presented in the 2016-17 Estimates of Expenditures. Score D

138. **The government is in the process of implementing its Medium Term Results Based Budgeting Program.** The FAA Act was amended in 2012 to encumber the Minister of Finance before the 30th of September in each financial year, to issue to Accounting Officers, the Budget Call containing the economic and fiscal parameters. These will govern the preparation of the Estimates of Revenues and Expenditures for the succeeding financial year and the medium term. At the time of the presentation of the Annual Estimates of Revenue and Expenditure the Government must also present a Fiscal Policy Paper setting out their Macroeconomic Framework, a Fiscal Responsibility Statement and a Fiscal Management Strategy. The Framework must contain quantitative information on the current year, the two previous years and the two following years, (*Financial Administration and Audit Act 2012 – Fiscal Responsibility Regulation*. and as an initial component of its roll out, MDAs are being required to include their 3 year Forward Estimates for 2018/19, 2019/20 and 2020/2021 in their 2017/18 Budget proposals. However, at the last budget submitted to the legislature, this was not included.

PI-16.4 Consistency of budgets with previous year estimates

139. Consistency of budgets with previous year estimates cannot be rated as multi-year estimates do not exist. Score NA

¹⁷ Financial Administration and Audit Act (FAAA) 2012 – Fiscal Responsibility Regulation Section 6.1 (a-c) The Ministries of Agriculture, Health and Transport have published their Corporate Plans on their websites and appear to be the only ones so far.

PI-17 Budget preparation process

	2016	Minimum Requirements
PI-17 Budget preparation process	B	Scoring Method M2
17.1 Budget calendar	A	A clear annual budget calendar exists, is generally adhered to, and allows budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.
17.2 Guidance on budget preparation	B	A comprehensive and clear budget circular or circulars are issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings submitted to the cabinet (or equivalent). The approval of ceilings by the cabinet may take place after the circular's distribution to budgetary units but before budgetary units have completed their submission.
17.3 Budget submission to the legislature	D	Performance is less than required for a C score

140. **This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including the political leadership, and whether that participation is orderly and timely.** Assessment is based on dimension 17.1 and 17.2, last budget submitted to the legislature, 2016/17. For dimension 17.3, last three completed fiscal years, 2013/14, 2014/15 and 2015/16.

PI-17.1 Budget calendar

141. **The Government amended the FAA Act in April 2014 to include a provision of a Budget calendar.** Included in the process is a Budget Call, "containing the economic and fiscal parameters which is to govern the preparation of the Estimates of Revenues and Expenditures for the succeeding financial year and the medium term", which is to be issued to accounting officers before September 30th. The Act also states that the Estimates must be tabled simultaneously in both Houses in time for their approval before March 31st. MDAs have two months to complete their proposals and of the 6 largest departments, Health, Security, Finance, Agriculture and Local Government (which account for 75 % of the Budget) submitted their Budget Proposal before the November 30th for the 16/17 Budget with the rest submitting before December 31st. Score A

Table 3-12: Key Dates in 2015/16 and 2016/17 Budget Calendar			
Key Step in Budget Process	Date per Circular	Actual Date 2015/16	Actual Date 2016/17
Budget Call	September 30, 2014	September 30,2014	September 30, 2015
Submission of Proposals	November 30, 2014	December 31,2014	December 31, 2015
Tabling of Budget	Before April 1, 2015	February 19, 2015	April 14, 2016
Passage of the Budget	March 31 st , 2015	March 31 st , 2015	May 31, 2016

PI-17.2 Guidance on budget preparation

142. **Guidance on budget preparation is disseminated through the Budget Call to accounting officers on or before September 30th.** The Budget Call provides a forecast for expenditures over the medium term but each MDA is only provided with their next year ceiling. However, MDAs are instructed to respect the government-wide medium term forecasted expenditures which have been approved by Cabinet and released in the government's Fiscal Policy Paper. Although the overall Medium Term Expenditures are approved by Cabinet before the Budget Call is issued, individual MDA hard ceilings are not approved and individual Ministers that have concerns over their respective ceiling can raise those concerns at Cabinet and on occasion have been successful at increasing their ceiling. Such adjustments are approved by Cabinet prior to budgetary units completing their budget submissions. Score B

PI-17.3 Budget submission to the legislature

143. **Of the last 3 years of Budget submission to the legislature, only the 2015/16 Budget was submitted more than one month before the start of the fiscal year.** For the other two years, the budget was submitted after the start of the fiscal year. However as explained above the new Budget Calendar only came into effect for the 2015 Budget with the 2014 amendment the FAA Act and those new dates were met. However, the process for the Budget year 2016/17 was interrupted by the General Election of February 2016 and a new government was formed. The new calendar was in effect and an initial set of estimates had been prepared but was withheld from Tabling to allow the new government time to review and include its priorities in the Budget. Score D

Table 3-13: Dates of Budget Estimates Submitted to Parliament	
2014/15	03/04/2014
2015/16	19/02/2015
2016/17	14/04/2016

PI-18 Legislative scrutiny of budgets

	2016	Minimum Requirements
PI-18 Legislative scrutiny of budgets	C+	Scoring Method M1
18.1 Scope of budget scrutiny	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue.
18.2 Legislative procedures for budget scrutiny	C	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to.
18.3 Timing of budget approval	C	The legislature has approved the annual budget within one month of the start of the year in two or more of the last three fiscal years.
18.4 Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget adjustments by the executive, and are adhered to in most instances. Extensive administrative reallocations may be permitted.

144. **This indicator assesses the nature and extent of legislative scrutiny of the annual budget.** It considers the extent to which the legislature scrutinizes debates and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well-established and respected and the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. Assessment is based on, for dimension 18.1, 18.2 and 18.4: last completed fiscal year, 2015/16. For dimension 18.3: last three completed fiscal years budgets, 2013/14, 2014/15 and 2015/16 (for subsequent year's budget).

PI-18.1 Scope of budget scrutiny

145. **The legislature scrutinizes the details of expenditure and revenue for the upcoming year.** A Fiscal Policy Paper (FPP) providing: a Fiscal Responsibility Statement; a Macroeconomic Framework; and a Fiscal Management Strategy is also tabled in both Houses along with the Estimates¹⁸. The FPP include annexes on fiscal risk and the ongoing reform program by sector. This FPP is subject to review by the Auditor General whose report is tabled at Parliament. The AuG report includes responses to queries made by the Auditor General. Score B

¹⁸ The FPP is produced before the budget and an interim report within six months of the budget year and both are tabled.

PI-18.2 Legislative procedures for budget scrutiny

146. **There are standing orders for the scrutiny of the budget contained in the Standing Orders of the House.** Section 65 stipulates the Standing Finance Committee (of the whole House) and its responsibility¹⁹. The Minister of Finance, who presents the Budget, opens and closes the Budget Debate.²⁰ For 2016/17 the opening speech was on the 12th May 2016 and the closing speech on the 25th May.²¹ After the Minister of Finance has presented the Budget and made his opening address, the House of Representatives creates the Standing Finance Committee to study the Budget and make recommendations. In the Budget Debate, the Minister of Finance outlines the various programs and policies of the Government and the means by which they will be financed. By convention, other speakers include: The Prime Minister; The Leader of the Opposition; The Opposition Spokesperson on Finance: at least one Minister speaking on matters under his portfolio and at least one other Opposition Spokesperson. There is also the Sectoral Debate which is based on a Government motion or motions seeking the approval of the House for proposed programs and projects within the different sectors. All Members of Parliament who did not contribute to the Budget Debate may participate in this debate.

147. **When the Debate closes, the House passes an Appropriation Act, which gives the Government the authority to operate the Budget.** After the House of Representatives has passed the Appropriation Act, the Act goes to the Senate for approval.

148. **The Financial Secretary and Budget Director as well as other officials have informal participation in the budget approval process.** Officials are present in the House during the budget address and are able to supply answers to questions from members through their respective Ministers. Thus, while procedures for review and approval of the budget are set in advance and respected, there are arrangements for in-depth consultation, review and negotiation, but they include neither independent technical support nor any external participation. Score C

PI-18.3 Timing of budget approval

149. **The Budget has been approved in each of the previous three years as follows:**

- | | |
|------------|---------------|
| a. 2016/17 | 25 May 2016 |
| b. 2015/16 | 24 March 2015 |
| c. 2014/15 | 30 April 2014 |

¹⁹ There are also a Committee on Tax Measures that reviews taxation proposals after they have been passed and a Public Administration and Appropriations Committee (PAAC) that reviews budget implementation. The first of these committees is not active whereas the PAAC is very active and holds meeting on Tuesday during the time the House sits

²⁰ Handbook for Parliamentarians

²¹ Budget and sectoral speeches are available on <http://jis.gov.jm/government/budget-watch/>

150. **The legislature has approved the annual budget before the start of the year in only one of the last three fiscal years (for FY2015/16) with a delay of one month in 2014 and two months in 2016.** There was an election in February 2016 which caused the delay. Score C

PI-18.4 Rules for budget adjustments by the executive

151. **The Minister of Finance, under Section 19A (2) (a) (b) of the FAA Act, has the legal authority to reallocate resources within the approved budgets of MDAs and may delegate this authority in writing to an accounting officer.** The Financial Secretary, under Section 21 of the FAA Act, Financial Management Regulation 2011 has the authority to issue instructions setting limits on virement. New guidelines were issued effective April 2015 which stipulates that virement to and from Compensation of Employees Economic Classification cannot be made. Virement involving investment projects cannot be approved by an accounting officer and the approval of the Minister is required before any virement is undertaken. Accounting officers may, where necessary, authorize virement within the non- wage component of the recurrent budget. Virement cannot be used to create new activities/programs that were not in the original budget or causing new increases in existing commitments on a permanent basis. Virements cannot be authorized between Heads of Expenditure and not between Voted and Statutory provisions. These rules are always adhered to given their nature.

152. **In 2015/16, 278 requests for virements were received for a value of J\$ 9.248 bill.** This amounts to 14% of the non-wage²² component of the recurrent budget. Score B

²² Travel expenses and subsistence, rental of property, utilities and communication and use of goods and services

3.5 Predictability and control in budget execution

PI-19 Revenue administration

	2016	Minimum Requirements
PI-19 Revenue administration	B	Scoring Method M2
19.1 Rights and obligations for revenue measures	A	Entities collecting most revenues use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.
19.2 Revenue risk management	A	Entities collecting most revenues use a comprehensive, structured and systematic approach for assessing and prioritizing compliance risks for all categories of revenue and, as a minimum for their large and medium revenue payers.
19.3 Revenue audit and investigation	C	Entities collecting <i>the majority of</i> revenue undertake audits and fraud investigations using a compliance improvement plan, and complete the majority of planned audits and investigations.
19.4 Revenue arrears monitoring	D	Performance is less than required for a C score.

153. **This indicator relates to the entities that administer central government revenues.** In Jamaica these entities include tax administration and customs administration who not only collect revenue which they transfer to the Consolidated Fund but also levies on payroll collected on behalf of National Insurance Fund, Human Employment and Resource Training (HEART) Trust, National Housing Trust and part of excise tax on tobacco and special consumption tax transferred to the National Health Fund. Revenue collections in Jamaica by value are presented in table 3-14. The indicator assesses the procedures used to collect and monitor central government revenues. The assessment period for dimension 19.1 and 19.2: At time of assessment. For dimension 19.3 and 19.4: Last completed fiscal year, 2015/16.

	J\$ bill	% collections
Jamaica Customs Agency (JCA)	147.3	29.8
Tax Administration Jamaica (TAJ)	264.1	53.4
National Insurance Fund (NIF)	15.9	3.2
Human Employment and Resource Training Trust (HEART)	9.0	1.8
National Housing Trust (NHT)	5.6	1.1
National Health Fund (NHF)	14.0	2.8
Non Tax Revenue	35.8	7.2
Other	2.8	0.6
Total	494.5	100
*Covered in Indicator		92.1

PI-19.1 Rights and obligations for revenue measures

154. **All laws and regulations pertaining to revenue collection – TAJ, JCA, NIF, HEART, National Housing Trust and National Health Fund and non-tax revenues - are on the relevant revenue department and Government websites²³.** They are also available from the Jamaica Printing Services.

155. **There are guidance leaflets for the main taxes.** These are available from the websites. They are also distributed in hard copy at tax education events. Various media outlets are used to inform tax payers such as radio and TV. There are also school visits to educate leavers. Training sessions are held on items such as PAYE and clinics are held such as for e-filing. TAJ has 4 Revenue Service Centers with 25 offices supplying tax payer services. Tax bulletins are published. Both JCA and TAJ have a toll free help line.

156. **JCA carries out training and licenses customs brokers²⁴ so that they can use ASYCUDA World²⁵.** All commercial imports over USD 5,000 in value must be made through a customs broker. For anything less and personal imports, there is a simplified form (Simple Administrative Document).

157. **Overall outreach is also enhanced by press releases and Frequently Asked Questions presentations.** TAJ has an on-line Revenue Administration Information System (RAiS) for information and payment. Taxpayers can sign up for text reminders when taxes are due and action needs to be taken. Both TAJ and JCA have Citizens Charters which specify rights and obligation and list the time to be taken in providing services such as answering a help line phone, processing a document etc. ²⁶

158. **Information on the appeals processes is discussed in education fora and contained on respective websites.** TAJ had 1,152 objections in 2015/16 and 1,215 in the previous year. Sixty one per cent in 2015/16 and 53% in 2014/15 were upheld resulting in J\$ 2.4 bill in assessments reduced (J\$1.3 bill in 2014/15). Each of the Tax laws has provisions for an appeals process. The first stage is directly to the TAJ/JCA. JCA settled 31 cases internally in 2015 and 22 in the first 9 months of 2016. Failing resolution, there is the Revenue Appeals Division (RAD) that has been set up with its own Act and is independent of the Revenue

²³ There has been many changes to the Laws and Regulations and these have yet to be consolidated. Nevertheless other information is available which provides the up-to-date position on taxpayer's obligations and rights.

²⁴ Customs Regulations & Documentation Examination) are conducted at the Management Institute for National Development (MIND) in collaboration with Jamaica Customs

²⁵ Electronic Single Administrative Document (eSAD)

²⁶ TAJ reports a seventy-seven percent (77%) rating for the service standards for particular services examined and a customer satisfaction level of 75%.

(continued...)

Collecting Agencies²⁷. The RAD has its own webpage and provides information on its coverage and processes. Both the collecting agencies also provide information on RAD.

159. **Data on appeals processed by RAD are shown in table 3.15.** There were 73 cases involved in Income Tax where taxes were reduced in 36 cases. For GCT, taxes were reduced in 15 of the 23 cases. For Education Tax 1 out of 5 cases was found in favor of the tax payer and for Customs 6 out of the 9 cases resulted in reduced liability.

Table 3-15 Revenue Appeals 2015/16	
Appeals Inventory	
Opening Inventory	459
No. of Appeals Received	91
Total Cases to be Handled	550
No. of Appeals Withdrawn/ Created in Error	5
No. of Appeals Decisions Issued	113
Total Cases Disposed of	118
Closing Inventory	432
Average Rate of Intake of Appeals per month	8

160. If RAD is unable to resolve any appeal, then there is recourse to the Revenue Court which is a judicial body that deals with revenue matters. Further appeals can go to the Privy Council.

161. **The team met with the Chair of the Jamaica Chamber of Commerce Tax and Economic Committee.** Discussion on taxation matters indicate that there are no material concerns by its members on access to information about tax administration system and how it operates, including appeals processes. It was noted that improvements on IT still need to be realized. In the past, the Chamber has been an active advocate on tax policy matters (particularly incentives) as well as tax administration, commissioning relevant research. Score A

²⁷ The Revenue Appeals Division which was established under the Revenue Appeals Division Act 2015 became operational on July 1, 2015. The Revenue Appeals Division Act 2015 allows for the establishment of the Revenue Appeals Division (RAD), as a Division within the Finance and Planning Ministry to adjudicate appeals against decisions of the Revenue Commissioners. The change will streamline the appeals process and will further guarantee the independence of the RAD as an adjudicating body

PI-19.2 Revenue risk management

162. **Each taxpayer (individual and companies) has a Taxpayer Registration Number (TRN).** A TRN must be assigned before a company can be registered. Identify verification documents must be supplied. The TRN is needed for all tax filing purpose but also for non-tax purposes such as obtaining a drivers license and access to public procurement. Banks and insurance companies as well as legal transactions are routinely requiring client's TRN though not legally bound. There are 2,805,044 TRNs of which, 2,709,797 are active.

163. **TAJ has also adopted a risk-based approach to administering revenues.** TAJ stratifies its business taxpayers based on turnover into large, medium, small and micro.

Classification	Count of Customer ID
Large	343
Medium	1,091
Upper Medium	322
Upper Small	1,819
Lower Small	8,922
Micro	60,703
Unclassified (within Micro or small)	129,898
Grand Total	203,098

164. **TAJ has established a Large Taxpayer Office Unit which covers around 68 percent of its collection of all tax types.** The software system has a risk assessment module based on an analysis of files, and scoring criteria are applied for audit selection. There is also an audit program that is used for other sized tax payers. Selection of other taxpayer audits is determined by risk factors such as refunds and government contracts but selection is also random.

165. **TAJ has produced a National Compliance Plan FY2015/2016.** The foreword states "Tax Administration Jamaica crafted their Strategic Business Plan for 2015/2016 to 2017/2018 (along with the tabular/summary Strategic Plan and High-Level Operational Plan) which gave direction to the National Compliance Plan. This National Compliance Plan outlines at the highest level the compliance approach to be adopted in our effort to improve compliance with tax laws. It serves as a focus area for programmes development in devising compliance improvement plans for the Operational Areas - Large Taxpayer Office, Revenue Service Centres (RSCs) and large, medium and small Tax Offices. This then cascades throughout the relevant areas when developing respective FY2015/16 work plans." In an effort to improve compliance with taxation laws, TAJ, has over the past 7 years been progressively improving on the compliance model it first introduced in 2008. This model helps in understanding the factors

that influence compliance behavior and the attitudes of different groups of taxpayers and their advisers to compliance.

166. There is a risk management approach to compliance to differentiate between large, medium and small taxpayers based on an assessment view of their relative likelihood of non-compliance and the consequences of any potential non-compliance. In applying the risk differentiation compliance framework, each taxpayer's tax risks is classified as being high, medium or low relative to other similar taxpayers.

167. A Tax Compliance Letter (TCL)²⁸ is issued to an individual or a company as proof that payments of tax liabilities and wage related statutory deductions are up-to-date. All importers as well as those companies participating in the procurement process need to have a TCL. Applicants for various licenses and permits also require a TCL.

168. Importers are subjected to stratification according to risk assessment criteria (type of import, location of supply, past history of importer etc.) They are assigned to Red Channel (document check and physical inspection); Yellow Channel (document check); Green Channel (no check); and, Blue Channel (post clearance audit). Importers can also be selected randomly for a higher level check. Importers are moved from one channel to another as a result of compliance performance. A Bonded Warehouse scheme is in place for certain imports. A double lock system is in use – one for the importer and one for JCA. JCA also implements the Authorised Economic Operator (AEO) System to stratify importers as low risk importers. All AEO entities must use a tier one broker. Score A

PI-19.3 Revenue audit and investigation

169. **Inland Revenue has an audit plan for each year which is part of the modernization program.** The audit plan is stratified by large companies and medium companies and by type of audit: comprehensive full scale or limited audits – by scope, single tax, refund. Figures for 2014/15 and 2015/16 actual audit compared to plan are:

	LTO			Revenue Service Centres			Total		
	target	actual	%	target	Actual	%	target	Actual	%
2015/16	172	132	77	954	1014	106	1126	1146	102%
2014/15	110	103	92	1534	1129	73	1644	1232	75%

²⁸ Previous a Tax Compliance Certificate before compliance was processed electronically which are replaced by a TCL when they expire.

170. **In 2014-15, J\$ 8.3 billion additional revenues were collected as a result of audit.** For this J\$6.4 billion was from LTO taxpayers and CIT represented J\$ 5.1 billion and J\$ 2.3 billion from GCT.

171. **JCA audit selection is focused on AEO and ASYCUDA World through the various channels.** ASYCUDA World was introduced end March 2016 and went fully live in August. The numbers selected in each category are based on the risk criteria embedded in the risk module and the number of imports along with specific pre-planned audit schedule. Risk factors influencing selection are past history of importer, type of import, volume and value, origin of goods, referral, feedback information, goods where tariff classification may be misinterpreted and special programme incentives. For 2015/16, 12 AEO companies were audited out of 18 planned with additional assessments raising \$16.6m. For 2014/15, 6 AEO companies were audited out of 11 planned with additional assessments raising \$24.0m

Table 3-18: Custom audit selection ASYCUDA		
August to October 2016		
LANE	No of Declarations	%
Blue	4,710	3.2%
Green	104,947	71.8%
Red	21,055	14.4%
Yellow	15,385	10.5%
Total	146,097	

Source: JCA

172. As well as TAJ and JCA undertaking audits by themselves they are also undertaking joint audits, which reflect the move to data sharing. Selection is based on the risk to both organizations.

173. The JCA law and the various laws governing the taxes administered by TAJ have provisions for penalties and interest for non-compliance. Penalties range from J\$ 5,000 up to J\$ 1 million with interest at 20% per annum and these are advertised through the tax education channels.²⁹ TAJ referred 11 cases for prosecution in 2014/15.

174. It is estimated that in excess of 85 per cent but not 90 percent of planned audits by value by JCA and TAJ were carried out in the last financial year. Score C

²⁹ E.g. Technical Paper: "INCOME TAX AND EDUCATION TAX PENALTIES"

PI-19.4 Revenue arrears monitoring

175. **Revenue arrears are mainly in the tax types collected by TAJ.** Arrears to JCA are additional duties and penalties that may have been assessed as a result of post clearance audit.

J\$ billion	2014/15	2015/16
Arrears		
JCA	0.57	0.42
TAJ	238.70	125.00
Total	239.27	125.42
Total Revenue	382.00	411.40
Arrears as % of Revenue	63%	30%

176. **While arrears have been reduced significantly they still represent some 30 per cent of total collections.** There is provision in law for writing off uncollectable tax arrears. In 2013, an Act was passed to amend the Tax Collection Act by making provisions for the Minister to write-off arrears of taxes, as well as the penalties, determined to be uncollectible, and for connected purposes.

177. With respect to the age of arrears, 70 per cent of JCA's arrears and 95 per cent of TAJ's are more than 12 month old. Score D

PI-20 Accounting for revenue

	2016	Minimum Requirements
PI-20 Accounting for revenue	D+	Scoring Method M1
20.1 Information on revenue collections	D	Performance is less than required for a C score.
20.2 Transfer of revenue collections	A	Entities collecting <i>most</i> central government revenue transfer the collections directly into accounts controlled by the Treasury, or transfers the collections daily to the Treasury and other designated agencies.
20.3 Revenue accounts reconciliation	A	Entities collecting most central government revenue undertake complete reconciliation of assessments, collections, arrears and transfers to Treasury and other designated agencies at least quarterly within four weeks of the end of quarter

178. This indicator assesses the procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling the tax revenue accounts. It covers both tax revenues and non-tax revenues collected by the central government. The assessment period is at time of the assessment.

PI-20.1 Information on revenue collections

179. While monthly reports are produced by TAJ and JCA these are not consolidated into a report centrally and an analysis produced. In the past a monthly revenue report was produced but discontinued due to staff shortages. An informal report (ad hoc and not in a standard format) is currently produced for management meetings. A quarterly fiscal report is produced in an Economic Update & Outlook by PIOJ. Score D

PI-20.2 Transfer of revenue collections

180. **Payments of revenue by taxpayers are made into accounts of JCA and TAJ office island wide.** These are swept daily into the main account and transferred to the respective agencies based on what is due to them by 10:30 a.m. the day following receipt. Score A

PI-20.3 Revenue accounts reconciliation

181. **JCA reconciles its daily consolidated payment monthly by tax type.** It updates individual files when payment is made. TAJ carries out a monthly reconciliation by tax type and reconciles payments on a daily transfer to the relevant recipient organization. TAJ updates individual files daily by TRN once payments are made. Each tax type payment is reconciled against total payment monthly as payment may be made in aggregate for different tax type. If a payment is not made by the due date, interest is accrued and a notice is issued. Bank reconciliation for each location is done monthly. Score A

PI-21 Predictability of in-year resource allocation

	2016	Minimum Requirements
PI-21 Predictability of in-year resource allocation	C	Scoring Method M2
21.1 Consolidation of cash balances	D*	Insufficient information available to score.
21.2 Cash forecasting and monitoring	C	A cash flow forecast is prepared for the fiscal year.
21.3 Information on commitment ceilings	C	Budgetary units are provided reliable information on commitment ceilings at least one month in advance.
21.4 Significance of in-year budget adjustments	B	Significant in-year budget adjustments to budget allocations take place no more than twice in a year and are done in a fairly transparent way.

182. This indicator assesses the extent to which the ministry of finance is able to forecast commitment and cash requirements and provide reliable information on the availability of funds to budgetary units for service delivery. The assessment period for dimension 21.1: At time of assessment. For dimensions 21.2, 21.3 and 21.4: Last completed fiscal year, 2015/16.

PI-21.1 Extent and frequency of consolidation of the central government's cash balances

183. **A TSA exists but is far from covering all government operations.** Cash balances of the major government accounts are consolidated on a monthly basis, including government accounts with BOJ outside the TSA. A substantial number of accounts with unknown balances appear to be outside this consolidation. The total number of such government bank accounts is not known. The consolidation of balances outside the TSA is a manual process based on submissions from the account holding entities. Score C

184. Accounts outside the TSA include MDA imprest accounts for operational and capital expenditure and for salary deductions (ref. also PI-23). Most of these have recently been consolidated into one imprest account for each budget entity.

185. **Stocktaking of all government accounts has been launched, initially covering accounts with BOJ.** In a later phase it will also cover accounts with commercial banks. The intention is to close all dormant and non-essential accounts, but this is a slow process as it requires collection of information for each account on its purpose as well as reconciliation of its balance. Score D* as the number of accounts and materiality of balances cannot be estimated.

PI-21.2 Cash forecasting and monitoring

186. Cash flow forecasts are prepared annually and updated monthly but do not adequately reflect cash needed by MDAs for paying on procurement contracts. Cash flow forecasts are managed by the Cash Management Committee, chaired by the AGD, including PEX Cash

Management Unit, FPMU, and DMU. Prime responsibility for this activity is in transition from PEX to AGD's new cash management unit. Cash forecast (together with procurement plans) are prepared first by each MDA as part of budget proposals submitted to MOFPS during budget preparation, then consolidated by PEX/AGD. MDAs update their cash forecasts monthly throughout the year.

187. In the case of funds for procurement contracts, however, the MDAs' cash flow forecasts do not always reflect actual cash needed for payment, but rather amounts needed for issuing purchase orders i.e. the amounts to be contractually committed (ref. 21.3 below). Thus, they do not consistently reflect projected cash requirements. Score C

PI-21.3 Information on commitment ceilings

188. Budget entities are provided reliable commitment ceilings for only one month at a time, though various mitigating strategies may allow them in practice to commit for a longer period. MOFPS issues monthly warrants on the basis of the cash flow forecasts with the purpose to control spending to available cash. However, warrants are also used to control the issue of purchase orders, which are required for entering commitments. This means that in principle entering of contractual commitments for supplies, goods and works are restricted to the cash available and ties up cash if the delivery of goods and services and the related payments do not take place in the month for which a warrant is issued. Various methods are used by procuring entities to work around this problem (ref. further on commitment controls in PI-25.2)

189. This means that MDAs only have certainty of the amounts available for commitment on a monthly basis, whereas in practice they may be able to make larger commitments within the budget appropriations. Score C

PI-21.4 Significance of in-year budget adjustments

190. **Every year – at the end of the fiscal year - a supplementary budget is submitted to and passed by Parliament.** This also regularizes the administrative virements decided during the year (submitted to Parliament 29th March 2016). In addition, there is usually one other supplementary budget submitted and approved during the year. This was also the case during FY2015/16 (submitted to Parliament 19th January 2016). Overall the supplementary budget provided for a slight increase in non-debt spending with a value of \$5.2 billion or less than 2% of the original budget.

191. **Reallocations are quite transparent and predictable.** They typically involved adjustments to capital budget estimates based on mid-year assessment of progress in project implementation, reallocations from contingency/reserve fund to votes under which additional spending would take place and accommodation of some of the requests made by budget entities during the course of the year. However, many adjustments made in the

supplementaries reflect retroactive regularization of administrative virements and consequences for budget execution caused by monthly cash rationing decisions. Score B

PI-22 Expenditure arrears

	2016	Minimum Requirements
PI-22 Expenditure arrears	D	Scoring Method M1
22.1 Stock of expenditure arrears	D	Performance is less than required for a C score.
22.2 Expenditure arrears monitoring	D	Performance is less than required for a C score.

192. This indicator measures the extent to which there is a stock of arrears, and the extent to which the systemic problem is being brought under control and addressed. The assessment period for dimension 22.1: Last three completed fiscal years, 2013/14, 2014/15 and 2015/16. For dimension 22.2: At time of assessment.

PI-22.1 Stock of expenditure arrears

193. The stock of reported expenditure arrears for the end of the last three FYs was 11.3%, 10.3% and 8.2% respectively, based on the government's definition of arrears (overdue by more than 90 days) i.e. more than 10% in two of the last three years. This mainly includes Tax Refund Arrears and Domestic Expenditure Arrears.

194. Tax Refund Arrears are those obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. The stock of tax refund arrears was recorded at J\$17.3bn as of end-March 2016, representing a J\$4.3bn reduction from the J\$21.7bn recorded at end-March 2015. Almost 90% of the refunds in arrears concern withholding tax (mainly on contributions to tax free pension fund), whilst 8% relate to the general consumption tax (mainly refunds for exported goods).

195. Domestic Expenditure Arrears is defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. The due date refers to the date in which domestic payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Included in this category are arrears on domestic central government direct debt, including to suppliers and all recurrent and capital expenditure commitments. The stock of domestic arrears was recorded at J\$ 20.8 billion as at end-January 2016, representing a J\$ 723.5 mill reduction from the J\$ 21.5 billion recorded at end-March 2015, ref. table 3-19.

196. These estimates of arrears were obtained from IMF reports and are based on the government's reporting to IMF which count only claims that are 90 or more days overdue.

197. Both customs duty refund arrears and salary arrears are reported as insignificant (ref. PI-19.4 and PI-23.2). Score D

As at end of fiscal year	Tax refund arrears J\$bn	Domestic expenditure arrears J\$bn	Total J\$bn	Total expenditure J\$bn	% of total expenditure
31 st March 2014	23.2	21.6	44.8	395.2	11.3%
31 st March 2015	21.7	21.5	43.2	419.0	10.3%
31 st March 2016	17.3	20.8 ³⁰	38.1	463.0	8.2%

Source: IMF Staff Reports (based on payments being 90+ days overdue)

PI-22.2 Expenditure arrears monitoring

198. **Reports on arrears are generated by PEX for domestic expenditure arrears and by TAJ for tax refund arrears.** The reports reportedly show arrears that are 30 days, 30-60 days, 60-90 days and 90+ days overdue. The assessment team was not able to obtain a copy of these reports. The amounts reported in these reports are likely to underestimate the real arrears for two reasons: (a) the definition used for arrears adds an additional 90 days from the due date (including any grace period). The normal grace period is 30 days from issue of invoice, and from the recipient's point of view a payment is in arrears when the due date has passed without payment; and (b) there is no system for tracking invoices from the day they are received by the respective MDA. Invoices are added to individual manual files for each contract and there is no comprehensive system for tracking their processing. Some overdue invoices, therefore, may not be identified until IA undertakes an inspection of the requisite files.

199. The impression of the private sector is that payment to the sector slows down significantly during the last two months of each fiscal year. This will further increase the real level of expenditure arrears without being counted as arrears at the end of the FY according to the government's reporting (90+ days overdue). Score D

³⁰ Data for 31 January 2016, the most recent information that could be obtained.

PI-23 Payroll controls

	2016	Minimum Requirements
PI-23 Payroll controls	D+	Scoring Method M1
23.1 Integration of payroll and personnel records	C	Reconciliation of the payroll with personnel records takes place at least every six months. Staff hiring and promotion is checked against the approved budget prior to authorization.
23.2 Management of payroll changes	B	Personnel records and payroll are updated at least quarterly and require a few retroactive adjustments.
23.3 Internal control of payroll	D	Performance is less than required for a C score.
23.4 Payroll audit	C	Partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years.

200. **This indicator is concerned with payroll for public servants only.** It includes how it is managed, treatment of changes and consistency with personnel records management. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. The assessment period for dimension 23.1, 23.2 and 23.3: At time of assessment. For dimension 23.4: Last three completed fiscal years, 2013/14, 2014/15 and 2015/16.

201. **Staff and payroll management is highly deconcentrated.** The personnel management system is highly decentralized and fragmented. Many different systems are applied in the about 180 government entities which in total employ some 120,000 staff. Some of those entities operate with such autonomy that the parent ministry may not have reliable records of employment in the agencies they supervise. Each entity keeps personnel records and prepares separate payrolls for appointed staff in established positions, for appointed staff in temporary positions, and for temporary staff in non-established positions. The latter payroll is prepared every fortnight, whereas the others are done monthly. Moreover, the government pays monthly pensions to some 40,000 retired staff. In total more than 700 separate payrolls are prepared monthly.

PI-23.1 Integration of payroll and personnel records

202. **Approval of staff positions, personnel hiring and payroll preparation are linked through manual processes.** The establishment list covers only about 1/3 of all positions. Most of the transfer of information between establishment list, other post establishment controls, appointments with salary and benefit determination, payroll preparation and actual payments are done manually, and where electronic systems are used they are not directly linked. A system exists for control of staff hiring and promotion against approved budget and appears to be fairly effective. Payroll data is routinely checked against the previous month.

203. Overall control of staff positions is vested in the Post Operations Committee, chaired by the FS of MOFPS and supported by the Strategic Human Resource Management Division (SHRMD). All government entities must seek approval from the Committee in order to activate and fill a new or frozen post or to fill a post that has become vacant. The Committee uses a range of different sources in order to take its decisions. There is an Establishment List for the civil service, which is updated every year (the latest in November 2015) and approved by Parliament, but it covers only about 33,000 posts. During the year amendments are being issued to the list based on approved changes to the structure of individual government entities (including staff numbers, grade levels and designations). In addition, the Division operates (since 2009) a personnel reporting systems called e-Census, through which entities report employment of new staff and other personnel changes. e-Census is considered useful but not entirely reliable or up to date, as it depends on the government entities reporting voluntarily and it is not linked to other systems. Before taking its decisions, the Committee also checks with PEX on the staff budget for the applying entity and PEX' information on staff employed and being paid.

204. About 90% of government entities have delegated powers to complete the employment procedures and determine salaries and benefits (according to established scales); the remaining 10% of entities must do so through the relevant service commission of which several exist, each catering for a separate group of employees. The service commission in such cases also has to approve the recommended candidate. The HR division of the employing entity determines the employee number and informs the finance division of remuneration and other contract terms, including subsequent changes to the employee's terms. The finance division prepares the payrolls monthly or fortnightly on the basis of such changes and the data in of the previous payroll.

205. **The net payment is effected through the Central Payroll Payment System (CPPS) managed by the AGD.** Salary deductions (e.g. for mandatory social contributions and loan repayments) are made directly by the employing entity to the respective recipients from the entity's imprest account. Fortnightly wages for temporary staff in non-established positions are also paid from those imprest accounts. The AGD prepares the payroll and also pays the salary deductions for a group of some 3700 staff employed in smaller government entities which have opted for this service from AGD.

206. Despite the control measures in place, it is recognized that the overall control of government employment and the wage bill is challenging. The highly fragmented, largely manually processed and not always up-to-date information at the central level is one reason. Another reason is that government entities are able to (and occasionally do) employ staff on a temporary basis without prior approval by the Post Operations Committee and relevant service commission as long as the entity has sufficient budget to pay the salary during the remainder of the year. As it can be difficult to reject positions that are already filled, the Committee is under pressure to approve the subsequent applications for the posts, typically for the next

fiscal year. Such cases mainly involve lower grade staff, however, so the overall impact on the wage bill is considered modest. Score C

207. A new IT system, the Human Resource Management Enterprise System (HCMES), has been procured and will become operational in 14 pilot entities in February 2017. It will cover all government employees and be directly linked to the CPPS. It is also the intention to bring all payments of salary deductions onto the CPPS.

PI-23.2 Management of payroll changes

208. Retroactive adjustments happen occasionally, particularly as regards allowances and other benefits, but they are not considered a significant issue. As a general rule staff which has taken up positions (with employment letter received and signed) by the 10th of the month will receive the first salary and fixed benefit payments at the end of the same month. Payroll data is updated from personnel records at least monthly. Retroactive adjustments are more likely for salary items and benefits that are one off or temporary (such acting allowance, honorarium, overtime).

209. Internal audits have not identified systemic issues with late processing of salaries and benefits (though the occasional miscalculations have been spotted, leading to retroactive correction). According to SHRMD this is never an issue in discussions with public sector labor unions. When asking individual public servants, this view is confirmed. Score B

PI-23.3 Internal control of payroll

210. Authority and basis for changes to personnel records and payroll are clear, but due to the manual nature of the systems breaches of control measures are regularly identified by audits and audit trails are often missing. Segregation of duties appears to be well established in HR and finance divisions in most entities³¹, e.g. changes to grade, remuneration steps, acting assignments etc. are managed by the HR division and sent to the Finance Division for payroll preparation; an officer in the Finance Division is designated to check all payroll changes compared to the previous months and the related documentation, and is not involved in other payroll preparation activities. Nevertheless, internal audit regularly identifies cases where individual officers have overlapping functions.

211. As systems are mainly manual or operated in simple spreadsheets, establishment of audit trails depends on using standard forms rigorously with signatures applied by the preparer and the supervisor. Internal audits have found many cases where such audit trails are missing. E.g. an audit of one ministry showed that out of 26 annual payroll registers 18 had not been signed by the preparing officer and that review of the supervising officer could not be verified.

³¹ In similar ways to management of other expenditures ref. PI-25.1

It was also observed that some retroactive changes to benefit payments were inserted in pencil on attached notes without origin identifiable.

212. A comprehensive internal audit of MOFPS concluded that there is a high risk of employees employed outside Establishment Order and a high risk that weak and ineffective HR internal controls could lead to overpayment of salaries and benefits. Score D

PI-23.4 Payroll audit

213. Payroll audits are undertaken periodically in all government entities through a complex system involving different types of audits by different audit institutions. Indications are that many entities have been subject to such audits within the last three years. Internal audit units (IAU) include payroll audits as a frequent element of their annual audit plans (ref. PI-26). For some entities it is considered a standard annual activity even if the focus of the audit may vary somewhat from year to year, so that only selected aspects of pay are audited. However, IA plans are not always followed through (ref. PI-26.3). A cross-government initiative to undertake a coordinated and complete staff and payroll audit of all government entities was launched in 2014 and covered FY2013/14. Due to resource constraints it has so far been completed only for MOFPS and its departments, executive agencies and CF-funded public bodies. It was undertaken by staff from IAUs of several ministries. AuGD also covers staff and payroll issues routinely in its annual audit of MDAs, e.g. in its 2012/13 audit identifying 225 employees in unapproved positions in one ministry, but such audits do not have complete coverage.

214. **Other entities are also involved in HR audits and inspection.** The Office of Services Commissions' Monitoring and Audit Unit undertakes on-site inspection of HR systems and records, in principle every 2 years, but due to staff constraints every 3-4 years in practice. Findings are reported for each entity inspected. An annual plan of inspections is prepared and allows for staff time for ad hoc inspections on request. An annual report giving an overview of inspections and findings is not prepared. SHRMD undertakes the occasional post audits, but since it is very resource demanding it happens only occasionally – as and when a significant issue has been raised for a particular government entity. Overall, payroll audits take place, but evidence suggests that their coverage in the past three years has been partial. Score C

PI-24 Procurement management

	2016	Minimum Requirements
PI-24 Procurement management	C+	Scoring Method M2
24.1 Procurement monitoring	A	Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for all procurement methods for goods, services and works.
24.2 Procurement methods	D	Performance is less than required for a C score.
24.3 Public access to procurement information	C	At least three of the key procurement information elements are complete and reliable for government units representing the majority of procurement operations and are made available to the public.
24.4 Procurement complaints management	B	The procurement complaints system meets criterion (1) and three of the other criteria.

215. This indicator examines key aspects of procurement management, focusing on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results and access to appeal and redress arrangements. The assessment period for dimensions 24.1, 24.3 and 24.4: Last completed fiscal year, 2015/16. For dimension 24.2: Last completed fiscal year.

PI-24.1 Procurement monitoring

216. A comprehensive and detailed database of all government procurement contracts, above small value procurement, is being maintained by the Office of the Contractor General (OCG) and updated quarterly. It is complete and accurate with very few exceptions. The OCG collects data on awarded contracts from all government entities including PBs. Commencing with contracts that were awarded as at July 1, 2012, the Quarterly Contracts Award (QCA) report captures all contracts awarded with a value above J\$500,00 (up from J\$ 275,000). The report further captures additional information such as the tender opening date and approvals received. The system allows PBs to provide justifications for the use of Direct Contracting or Limited Tender over a certain value. QCA Reports must be submitted to the OCG, electronically using the web portal format and by hard copy formats, within 30 days of the ending of the calendar quarter to which they apply. The OCG updates the QCA database quarterly, approx. 2 ½ months after the end of the quarter. The QCA database is available on the OCG's website and includes for each awarded contract (amongst others):

- Awarding government entity
- Description of contract
- Name and ID of contractor
- Contract value

- Code for item of item procured
- Code for method of procurement
- Number of tenders received

217. Except for the small contracts that fall below the reporting threshold the data is considered complete and accurate as concerns all types of government procurement (In fact it also covers PBs of a commercial nature). The data is accurate and up to date with very few exceptions. Failure of procuring entities to report is subject to penalties. Score A

PI-24.2 Procurement methods

218. Award of contracts using competitive methods represented about 56% of all contracts representing 48% of the total value of contracts awarded by central government MDAs in 2015/16 (excluding small contracts below the reporting threshold level). The total number of contracts awarded was 8,115 with a combined value of J\$ 51.7 trillion. Analysis of the QCA Database for FY2015/16 shows that open International Competitive Bidding (ICB) was used for 1.0% of contracts representing 15.9% of total contract value, whilst Local Competitive Bidding (LCB) was used for 8.7% of the contracts, representing 18.5% of total contract value. Limited/restricted tender (LT) was used for 46.1% of the contracts, representing 13.2% of contract value. The remaining 44% of contracts, representing 52% of contract value, is awarded through non-competitive methods (single sourcing/direct contract). Data for recent years shows a significant drop in the use of competitive methods of procurement measured by contract value in 2015/16, as illustrated in table 3-20 below. Score D.

Table 3-21 Trend in Use of Competitive Procurement Methods				
	FY2012/13	FY2013/14	FY2014/15	FY2015/16
Number of contracts awarded through competitive methods: ICB, LCB, LT (share of total)	57.1%	58.6%	58.8%	55.8%
Aggregate contract value awarded through competitive methods	63.7%	59.2%	61.7%	47.6%

Source: OCG's QCA database excluding local authorities and commercial PBs. Note that the thresholds for reporting to QCA were changed from July 2012.

PI-24.3 Public access to procurement information

219. Three of the six key procurement information elements are made available on government websites (namely the legal framework, bidding opportunities and award of contracts). The information is complete and up to date. Score C

Table 3-22 Findings on Public access to key procurement information	
Key procurement information to be made available to the public	Findings
(1) legal and regulatory framework for procurement	Yes. All parts of procurement legislation and regulation are available on government websites.
(2) government procurement plans	No. Procurement plans are prepared as part of annual budget proposals from MDAs but not made public in recent years. Procurement plans for 34 entities were publicized for FY2014/15. None since then.
(3) bidding opportunities	Yes. All open tender notices are uploaded on the procurement page of the JIS website – as required by law. Uploads take place once or twice a week. No recent omissions have been identified by OCG.
(4) contract awards (purpose, contractor and value)	Yes. Through the QCA database published on the OCG website, ref. dimension 24.1.
(5) data on resolution of procurement complaints	No. NCC's recommendations/resolutions are not subject to recurring publication. Recommendations by the OCG are published in OCG's annual reports, but the latest report is from 2013 and thus out-of-date. No cases have been referred to PAB.
(6) annual procurement statistics	No. Selective statistical tables are available in OCG's report, but the latest refer to 2013. However, users may be able to generate their own statistics from QCA database.

220. Procurement is anticipated to improve with the introduction of a new electronic procurement system (e-GP), which has been introduced with piloting in 7 entities commencing in July 2015. It will take full effect only when the Public Procurement Act 2015 becomes effective. It will enhance the transparency of procurement operations and improve access to information for prospective contractors as well as for the government's procurement monitoring.

PI-24.4 Procurement complaints management

221. An independent complaint mechanism exists, but it cannot suspend a procurement process and its resolution recommendations are not binding. Any contractor, who claims to have suffered loss or injury due to a breach of the procurement procedures by a procuring entity, may seek a review of the specific procurement process through an administrative complaints review process comprises the following:

- review by the Procuring Entity;
- review by the National Contracts' Commission (NCC);

- review by the Procurement Appeals' Board (PAB) – and the Financial Services Commission in relation to an Insurance Broker.

222. If an aggrieved Bidder fails to get adequate redress from the administrative review process, the final option is for a Judicial Review. In addition, the OCG independently reviews all complaints lodged and issues its own findings and recommendations. No case has ever been referred to PAB as contractors prefer to go straight to either OCG or the courts to seek redress. The table below summarizes the key elements of the processes.

223. It should be noted that the following are not subject to review: (i) the selection of the method of procurement and (ii) the decision by the procuring entity to reject all tenders, proposals, offers or quotations.

224. Overall, the procurement complaints system meets four of the six key elements of independent review institutions as set out in table 3-23 below. Score B.

Table 3-23 Key elements of the independent administrative procurement review institutions	
Criteria. Complaints are reviewed by a body that:	Findings
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Yes. PAB consists 3 members, comprising (a) a legal practitioner nominated by the Bar Association of Jamaica; (b) a member of the private business sector, nominated by the Private Sector Organization of Jamaica; and (c) the Financial Secretary or his representative. It cannot be considered as involved in procurement operations. Whilst OCG is not an explicit part of the complaints review, the OCG reviews all complaints lodged and issues its findings and recommendations. NCC is not independent as the majority of members are employees of public bodies and NCC moreover approves registration of contractors, selection of procurement method and approval of contract award above certain thresholds.
(2) does not charge fees that prohibit access by concerned parties	Yes. No fee is charged.
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes. The processes are clearly defined in the legislative framework, all of which is available on government websites.
(4) exercises the authority to suspend the procurement process	No. Neither NCC, PAB nor OCG can suspend a procurement operation. If recommendations are issued to this effect, MOFPS or the procuring entity have to take the recommended action. Suspension would otherwise require an injunction issued by a magistrate court.

Table 3-23 Key elements of the independent administrative procurement review institutions	
Criteria. Complaints are reviewed by a body that:	Findings
(5) issues decisions within the timeframe specified in the rules/regulations,	Yes. The timeframe for decisions are clearly specified and respected as concerns NCC. No cases have been referred to PAB.
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	No. Recommendations by NCC, PAB and OCG are not binding. Where rules have not been adhered to, MOFPS and the procuring entity are responsible for taking the appropriate actions. In addition, the contractor will have recourse to the judicial system.

225. **New procurement legislation – the Public Procurement Act 2015 – was passed by Parliament in October 2015.** Amongst others, it changes the structure of the procurement review bodies and procedures. However, this legislation is not yet effective as the enabling regulations have not yet been issued.

PI-25 Internal controls on non-salary expenditure

	2016	Minimum Requirements
PI-25 Internal controls on non-salary expenditure	C+	Scoring Method M2
25.1 Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process. More precise definition of important responsibilities may be needed.
25.2 Effectiveness of expenditure commitment controls	C	Expenditure commitment control procedures exist which provide partial coverage and are partially effective.
25.3 Compliance with payment rules and procedures	B	Most payments are compliant with regular payment procedures. The majority of exceptions are properly authorized and justified.

226. This indicator measures the effectiveness of general internal controls for non-salary expenditures. Additional, specific expenditure controls on public service salaries are considered in PI-23. The assessment period is the time of assessment.

PI-25.1 Segregation of duties

227. **The segregation of duties is defined with compliance testing included within internal audit functions.** Individuals are assigned responsibilities within their job description and IT user access provided within that framework. This segregates the approval, recording, custody and reconciliation processes within government operations. Business processes, such as warrant and revenue processing, are flowcharted and documented in circulars, manuals, and other documents. These include operations approver or authorizer and user functions. Internal control testing, including segregation of duties and access to system input/authorization is included in internal audits, with follow-up on findings by internal auditor and/or PAD when recommendations are not responded to or institutionalized. Annual reports of the auditor general also cite internal control issues identified during audits. While operating procedures and auditing support the segregation of duties in operations, additional details would be beneficial, such as details on the importance of segregation of duties for business processes, especially for those operations that are performed manually. Score C

PI-25.2 Effectiveness of expenditure commitment controls

228. While expenditure commitment controls are in place and limit commitments to projected cash availability and approved warrants for some activities, it is not comprehensive. According to FAA article 18, an accounting officer shall not enter into any commitment in excess of the amount specified in the estimates of expenditure as approved by Parliament, or lesser amount as the Minister of Finance may direct. In practice, MOFPS balances projected cash availability with funding requests to identify monthly allocations (warrants) for ministries and purchase orders may be issued only upon balances available in such warrants. Certain

categories of expenditures, such as utilities and rent, do not require purchase orders and are paid as on-going monthly payments.

229. However, these commitment rules do not apply for regular purchases such as utilities, payroll, and orders where the time lag exceeds warrant coverage. Utilities and payroll are understood to be obligated even in the absence of a purchase order. Exposure to changes in utilities costs is an important issue for the Government and can result in the need to adjust the budget during the year to avoid overspending in some programs or expenditure categories. Similarly, contractual agreements for goods, services and works may have a substantial delay between contract signature/commitment and delivery of contractual output/payment. MDAs are unable to issue purchase orders and enter into contractual arrangements without system documentation (see PI-21). Various strategies are engaged to solve this e.g. purchase order override, exemptions for contracts under capital expenditure and monthly purchase orders for continuous contracts with monthly or other periodic supply/service. Since utilities and contracts of several to many months duration constitute a large percent of total expenditure, commitment control only provides partial coverage. Score C

PI-25.3 Compliance with payment rules and procedures

230. **The CTMS system controls payments and requires compliance with regular payment procedures.** Payments cannot be made without warrant authorization. No CTMS system payments are made outside of the warrant system. Internal controls within the CTMS system do not allow payments to be made that do not follow the rules and regulations without prior approval. Thus, all payments from the CTMS are made in compliance with the regular payment procedures. This is a result of recent efforts to expand and improve the use of CTMS for payments. Payments outside the system include payments from imprest accounts and manual checks. The imprest account is in the process of being centralized and will then follow regular payment procedures. Manual check criteria include justification and authorization, reducing the incidence of non-compliance. The incidence of items incidence of items not compliant with regular payment procedures is minimal. Score B.

PI-26 Internal audit

	2016	Minimum Requirements
PI-26 Internal audit	D+	Scoring Method M1
26.1 Coverage of internal audit	A	Internal audit is operational for all central government entities.
26.2 Nature of audits and standards applied	A	Internal audit activities are focused on evaluation of the adequacy and effectiveness of internal controls. A quality assurance process is in place within the internal audit function and audit activities meet professional standards, including focus on high risk areas.
26.3 Implementation of internal audits and reporting	D	Performance is less than required for a C score.
26.4 Response to internal audits	B	Management provides a partial response to audit recommendations for most entities audited within 12 months of the report being produced.

231. **This indicator assesses the standards and procedures applied in internal audit.** Assessment period is for dimensions 26.1 and 26.2: At time of assessment. For dimension 26.3: Last completed fiscal year, 2015/16. For dimension 26.4: Audit reports issued in the last three fiscal years 2013/14, 2014/15, and 2015/16.

PI-26.1 Coverage of internal audit

232. **The internal audit function in government of Jamaica is well-established and includes coverage for all of central government.** Internal audit is authorized in Section 34 of the FAA Act and required for each department. This includes 20 internal audit units within the fourteen ministries covering central government activities with other entities covered by twelve executive agency units and additional units for public bodies. The Internal Audit Directorate (IAD) establishes methodology, provides training on risk assessment planning, and reviews all central government annual plans. The IAD internal audit manual provides guidance and format for all government internal audit departments. Ministry internal auditors link their annual plans to the corporate plan, ensuring complete coverage. Internal audit offices selected for review provided audit reports, reports on audit follow-up, audit work papers, quarterly reports provided to management, and risk assessments. Score A

233. For governments with the internal audit function undertaken by units in several ministries, scoring reflects the combined effectiveness of such organization. For the Jamaica central government coverage, the four largest budgetary units for recurrent were selected together with the entity with the greatest contractual services (works) for most of the last three years. This selection provided accessibility to information supporting criteria on other indicators.

PI-26.2 Nature of audits and standards applied

234. The internal audit activities, which focus on systems and internal controls, are established based on risk assessment processes and include evaluation procedures for quality control. Risk assessment processes that consider numerical factors such as revenues, salary budgets, accounts balances and expenditures together with other risk factors, are used in the preparation of the annual audit planning. Complete risk assessments are prepared every three years with annual updates. Quality assurance activities occur on a five-year basis. Adherence to IIA standards are assured through peer reviews and other quality assurance activities. Reports on the quality assurance activities are maintained on file at the entities and provided to the IAD. Quarterly and annual reports provided for management detail audit work planned and executed in addition to compliance evaluation activities. Score A.

Table 3-24 Internal audit plan implementation in selected large ministries

	% of budget/ expenditure	% of audits from the audit plan completed in the plan year	Mgmt. Responses >75% ³²
Ministry of Finance and the Public Service	31%	45%	Yes
Ministry of Education	12%	85%	Yes
Ministry of National Security	8%	83%	Yes
Ministry of Health	8%	32%	Yes
Ministry of Transport, Mining, and Works ³³	1%	0%	Yes

PI-26.3 Implementation of internal audits and reporting

235. **Annual audit programs exist, however, implementation is often delayed and not completed within the initial scheduled year.** Every internal audit unit prepares an annual audit program, based upon the risk assessment, for audits to be completed within the year. Audit reports are issued for completed audits and quarterly activity reports are prepared with details on all activities of the units, including status of audits and final reports with findings and management responses. These reports are provided to management of the ministry, PEX, IAD, and the Public Accountability Inspectorate (PAI). Reports are available to the Auditor General upon request. Audit reports are also reviewed by the Public Administration and Appropriations committee of Parliament.

236. **Implementation of audit programs and activities is often slowed or delayed,** ref. table 3-23. Audits that are not completed at year end are often completed in the following

³² Percentages assessment based on recommendations the reports reviewed and the management responses.

³³ Four audits were completed that were work in progress from previous year and one special (unplanned) audit was completed.

year. Audit program implementation is slowed by required pre-audit activities, including activities relating to payroll and pension calculations, and financial statements. Other delays in implementation occur due to staff shortages and other special audit activities that displace those found in the annual audit program. Score D

PI-26.4 Response to internal audits

237. **Management responds to most recommendations and implementation is included in follow-up audits.** Internal audit reports and findings are included in the audit report and in quarterly activity reports of each internal audit unit. Examples of management responses include changes required to improve business operations, schedules for support and justification of problems identified or where a lack of details exists, justifications for lack of compliance due to budget constraints. These reports are provided to management, SAI, and multiple divisions within MOFPS, including IAD, PAI, and PEX. For recommendations where responses are not provided, partially provided and/or implementation is unsatisfactory, the PAI will perform an expanded audit and provide recommendations to the FS. In large Ministries, a Director of Compliance and Post Audit reviews risk assessments and audit reports, ensures full responses to findings, and reviews compliance with recommendations. Score B

3.6 Accounting and reporting

PI-27 Financial data integrity

	2016	Minimum Requirements
PI-27 Financial data integrity	C	Scoring Method M2
27.1 Bank account reconciliation	D*	Insufficient information to score.
27.2 Suspense accounts	D	Performance is less than required for a C score.
27.3 Advance accounts	C	Reconciliation of advance accounts takes place annually, within two months from the end of the year. Advance accounts may frequently be cleared with delay.
27.4 Financial data integrity processes	A	Access and changes to records is restricted and recorded, and results in an audit trail. There is an operations body, unit or team in charge of verifying financial data integrity.

238. This indicator assesses the extent to which treasury bank accounts, suspense and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. The assessment period for dimensions 27.1, 27.2, and 27.3: At time of assessment, covering the preceding fiscal year. For dimension 27.4: At time of assessment.

PI-27.1 Bank account reconciliation

239. The bank account reconciliation for all Treasury bank accounts take place in the following month while other central government ministry imprest bank account reconciliations

are usually completed within two months. Treasury bank accounts are reconciled on a timely basis, usually within four weeks of month end. Non-treasury bank accounts occur in MDAs and include imprest accounts to provide funding for salaries, monthly operations, and capital. According to principal finance officers, these are typically paid out and cleared within relatively short timeframes. The monthly expenditure statements, together with bank reconciliations and advances, are required to be submitted to PEX in the following month, however, these have been delayed over the last year. A sampling of ministry reports was obtained and for those submitted and reviewed, reconciliations were included within the monthly data. These balances are also used within the cash management processes (PI-21). There are minimal audit findings related to the delay in timeliness of bank account reconciliation. Generally, bank reconciliation for active Treasury and MDA bank accounts takes place monthly, usually within 8 weeks from the end of each month.

240. In addition to the Treasury and MDA accounts other bank accounts exist within Ministry sub recipients, such as schools and public health units. No adequate list of documentation of all accounts is available and it is not clear to what extent the accounts are integral to the government reporting system. It is understood that some accounts at schools are associated with parent pledges to student activities and not integral to government school operations. A determination of the accounts and their functionality is being prepared and will allow government to address the stock of government bank accounts and their reconciliation. Without the determination of the accounts and their balances, the ability to verify reconciliations for all active central government bank accounts is hindered. Score D*

PI-27.2 Suspense accounts

241. **The Treasury Deposit Account is the key suspense account and is reconciled monthly.** The Accountant General has been actively engaged in reducing the balance of the treasury deposit account and clearing it as rapidly as possible. Although the balance as of Aug 31, 2016 was J\$ 6 million, this includes some outstanding amounts from fiscal year end March 31, 2016 of J\$ 5.9 million. The carryover balance has not been justified. Score D

PI-27.3 Advance accounts

242. **The MDAs prepare monthly financial reports for PEX that include advance account information.** Current operating procedures limit the use of advance accounts and require timely clearing. From discussions with principal finance officers and reviews of audit reports, advance accounts are cleared timely, and regularly. From information received, time delays occur throughout the year. The advance accounts are subject to internal audit processes. Account balance and reconciliation is provided through the monthly reporting process. The reconciliation is submitted within two months of year end for the majority of MDAs with advance account balances at year end. Score C.

PI-27.4 Financial data integrity processes

243. **The financial data integrity process for access to records and changes is controlled and restricted through the IT department of the FINMAN and CTMS systems.** Access to create and change records is controlled by user id and passwords. Database tracking systems document details of changes with linkages to user id. The database tracking systems provide audit data that is validated through the work of internal audit and the public accountability inspectorate. Score A.

PI-28 In-year budget reports

	2016	Minimum Requirements
PI-28 In-year budget reports	D+	Scoring Method M1
28.1 Coverage and comparability of reports	C	Coverage and classification of data allow direct comparison to the original budget for the main administrative headings.
28.2 Timing of in-year budget reports	D	Performance is less than required for a C score.
28.3 Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. Data is useful for analysis of budget execution. Expenditure is captured at least at payment stage.

244. **This indicator assesses the comprehensiveness, accuracy and timeliness of information on the budget execution.** In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. Assessment is based on last completed fiscal year, 2015/16.

PI-28.1 Coverage and comparability of reports

245. **In-year budget execution reports are prepared by all MDAs and submitted to various MOFPS departments/divisions.** They cover revenue and expenditure broken down by all elements of the budget classification and directly compare actuals to budget appropriations. All MDAs and CF-funded PBs submit budget execution reports to PEX, covering revenue and expenditure. Cash balances are reported to AGD (ref. PI-21.1). Executive agencies submit similar reports to the EA Unit of PED. The reports are generated from FINMAN and provide data comparable to the budget appropriations, detailed by vote, function, program, project where applicable, activity and nature of expenditure. The reports are submitted individually for each budget institution. No consolidated report giving a full overview of budget execution is compiled. No evidence was made available that expenditures made from transfers to deconcentrated units are included in the reports for the month in which the expenditures were incurred. Score C

PI-28.2 Timing of in-year budget reports

246. **The in-year reports are submitted monthly insofar as recurrent budget execution is concerned.** Compliance with submission requirements including timeliness is variable. Execution data for capital budgets are included only in six-monthly reports. Score D

PI-28.3 Accuracy of in-year budget reports

247. The reports submitted by budget entities are considered useful for monitoring budget execution and in-house analysis of execution progress and spending patterns. The reports cover warrants issued, actual payments (payment orders submitted for payments), and uncommitted balances of warrants and appropriations. A quarterly review of outturns is conducted with the budget entity; the half-yearly one covering all expenditure items.

248. **Whilst the monthly data is consistent, there are some concerns as to the accuracy.** Reports submitted by budget entities are not reconciled up-to-date with AGD's reports on payments executed and cash available, a process that can take up to two months to complete (ref. PI-27). Moreover, the information on uncommitted balances may be inaccurate due to the mitigating strategies used to work around the tying of commitments to cash availability (ref. PI-21 and PI-25). However, the nature and typical magnitude of the discrepancies are known to PEX and can to some extent be taken into account in the analysis. Score C

PI-29 Annual financial reports

	2016	Minimum Requirements
PI-29 Annual financial reports	D+	Scoring Method M1
29.1 Completeness of annual financial reports	C	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, and cash balances.
29.2 Submission of reports for external audit	D	Performance is less than required for a C score.
29.3 Accounting standards	C	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed.

249. This indicator assesses the extent to which annual financial statements are complete, timely and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. Assessment is based on, for dimension 29.1: Last completed fiscal year. For dimension 29.2: Last annual financial report submitted for audit and for dimension 29.3: Last three years' financial reports, 2013/14, 2014/15 and 2015/16.

PI-29.1 Completeness of annual financial reports

250. **The annual financial statements prepared annually are comparable with the approved budget.** The financial reports are prepared by budget entities. Statements prepared include (as applicable):

FS 1 – General Ledger Trial Balance

FS 2 – Statement of Receipts and Payments
FS 3 – Bank Reconciliation Statements
FS 4 – Statement of Bank Balances
FS 5 – Statement of Expenditure by Activity
FS 6 – Statement of Expenditure by Objects
FS 6 – Statement of Expenditure by Objects (Object Summary)
FS10 – Statement of Outstanding Advances
FS16 - Miscellaneous Revenue
AS 7 – Statement of Appropriation-in-Aid

The above statements include comparisons to the vote (budget) and warrant (allocated) together with the variance from the budget for both revenues and expenditures. Cash balances are provided through the trial balance, bank balance, and bank reconciliation. No data on financial and tangible assets, liabilities, guarantees or long-term obligations are reported. The reports are not consolidated but are audited individually. After audit, they are provided to Ministry of Finance. Score C

PI-29.2 Submission of reports for external audit

251. A review of 2014/15 reports received from the sample selected as of the assessment date indicates that reports are not submitted timely. For this dimension, the sample selected was the same entities selected for the internal audit indicator. A review of 2014/15 reports received by the Auditor General during the 2016 assessment indicated three of the five had not submitted, one had submitted, and for the Ministry of Finance, the Ministry had submitted but Accountant General had not. Although this assessment did not evaluate as of the submittal date for 2015, the lack of compliance one year later indicates that financial statement are not received in a timely fashion. Score D

PI-29.3 Accounting standards

252. As noted above, financial statements are prepared by each specific budget entity, however, the annual report of the auditor general summarizes the results of the audited financial statements, including basis of accounting. There is no consolidated financial statement, but only individual entity appropriation accounts, with no notes or indication on basis of accounting. The basis of accounting, as noted by the auditor general, is consistent with the legal framework of the country and has been consistently reported. Score C

3.7 External scrutiny and audit

PI-30 External audit

	2016	Minimum Requirements
PI-30 External audit	C+	Scoring Method M1
30.1 Audit coverage and standards	B	Financial reports of central government entities representing most expenditure and revenue have been audited using ISSAIs or consistent national auditing standards during the last three completed fiscal years. The audits have highlighted any relevant material issues and systemic and control risks.
30.2 Submission of audit reports to the legislature	B	Audit reports were submitted to the legislature within 6 months from receipt of the financial reports by the audit office for the last three completed fiscal years.
30.3 External audit follow-up	A	There is clear evidence of effective and timely follow up by the executive, or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years
30.4 Supreme Audit Institution (SAI) independence	C	The SAI operates independently from the executive, ensured through the procedures for appointment and removal of the Head of the SAI as well as the execution of the SAI's budget. The SAI has unrestricted and timely access to the majority of the requested records, documentation and information.

253. **This indicator examines the characteristics of external audit.** The assessment is based on, for dimensions 30.1 and 30.4: Last completed fiscal year, 2015/16. For dimension 30.2 and 30.3: Last three completed fiscal years, 2012/13, 2013/14 and 2014/15.

PI-30.1 Audit coverage and standards

254. The AuGD produces a report on the financial transactions and financial statements of the Government of Jamaica for the financial year ending 31 March³⁴. Information from the AuGD shows that 95 per cent of financial statements and appropriation accounts received during the three-year period were audited. The latest report covered the period to end March 2015.

Type of audit	2014/15	2013/14	2012/13
Compliance	67	47	24
Financial statements	165	144	103
Appropriation accounts	98	128	53

³⁴ This report also includes all activities carried out by the Department.

Type of audit	2014/15	2013/14	2012/13
Performance	4	11	5
Activity	14	20	19

Source; The annual reports and other audit reports are available from the AuGD website

<http://www.auditorgeneral.gov.jm/reports>

255. The reports contain the findings from the audits of the accounts and financial transactions of Accounting Officers and Principal Receivers of Revenue for the financial year. Reference is also made to the accounts and transactions of subsequent or previous financial years, as well as the accounts of Local Government agencies and other statutory bodies, as well as Government companies (commercial PBs) where considered necessary for the information of Parliament. The audits for the period under review, disclosed that the financial affairs of some Ministries, Departments and other Government entities were conducted in a generally satisfactory manner with only minor breaches of the Government's financial and accounting rules. The major concerns emanating from the audits are outlined in the annual report.

256. The audits of most Ministries, Departments, Executive Agencies and Public Bodies for the financial year consisted of examinations, inquiries and investigations to enable assessment of the adequacy of the systems of internal control over the major areas of revenue and expenditure. Where assets and liabilities are included in the reports these are included in the audit, but as stated under PI-29.1 this is not generally the case. They also include obtaining the information and explanations considered necessary for certifying financial statements submitted. Additional audit emphasis was applied to those areas of governmental activity where the internal control was weak, others which had been prone to problems in the past, new programmes and areas of general public interest. Follow-up work was also done to ascertain what action had been taken on previous audit observations and recommendations.

257. Under the FAA Act, the Auditor General (AuG) is required to examine the components of the Fiscal Policy Paper (FPP) and provide a report to the Houses of Parliament. Accordingly, the AuG is required to indicate whether the conventions and assumptions underlying the preparation of the FPP comply with prudent financial principles. During 2015, the Economic Audit Unit carried out a number of activities to enable the AuG to fulfil its obligations under the FAA Act and Constitution. These activities were also undertaken in accordance with standards issued by The International Organisation of Supreme Audit Institutions and The International Standard on Assurance Engagement (ISAE) 3000.

258. **International standards are applied to the external audit function.** The Department applies the International Standards of Supreme Audit Institutions (ISSAI) – the INTOSAI standards on auditing and has adopted and complies with the INTOSAI Code of Ethics. The AuGD is ACCA certified.

259. The Governance mechanisms of the Department are administered through the responsibilities of the Executive Management Committee, the Audit Committee, the Quality Assurance Unit and the Corporate Services Division. The Economic Assessment Unit, though not tasked with governance within the Department, supports the strategic planning and assessment function of not only the AuGD but also the wider GOJ Fiscal Policy Framework. The Audit Committee was established with the main objective to provide oversight on key aspects of internal controls and quality in the Department and to provide independent advice to the AuG on the adequacy of these areas. The members of the Committee are drawn from the private sector with a representative from the AuGD. The Audit Committee meets on a quarterly basis. The Quality Assurance Unit reports directly to the AuG and is responsible for the execution of the following key functions/activities: (i) Assess and monitor the AuGD quality control systems and (ii) Identify potential methodology to be implemented to improve audit processes.

260. **The Auditor General's Department operates with an audit and administrative staff complement of 148 and 25 respectively.**³⁵ As well as Head Office, where the Auditor General, Deputy Auditor General's and Audit Principals and Administrative Staff are housed, audit teams are stationed at the various government ministries, agencies and departments as external auditors.

261. **Staff development is a focus of the annual business plan in the AuGD.** The annual reports details training programs undertaken. For example, the services of a consultant from the National Audit Office in the UK was engaged to advance the training of 40 members of staff in the risk-based audit approach to financial statement. The training involved 7 pilot audits and included classroom sessions as well as the practical application of the knowledge received. Targeted training in the form of a joint audit was conducted in value for money auditing techniques through CAROSAI funded by IDI. During the period covered by the 2013/4 report, the audit staff members were exposed to technical training in IPSAS Training, Report Writing, Financial Statements Audit & Assessment of Internal Control, TeamMate End User Training, GOJ Procurement Guidelines, IDI Training in Financial, Performance & Compliance Audits, IDI/CAROSAI Programme on Cooperative Audit of Revenue Departments, Risk-based approach to Financial Statements Auditing, introduction to Performance Auditing from National Audit Office (NAO). In addition, the Administrative Staff members attended courses in Government Accounting, Records and Information Management, Leadership Development, Leave administration. Score A

PI-30.2 Submission of audit reports to the legislature

³⁵ In addition to the AuGD, and 2 Senior Divisional Directors, there are 8 directors of audit, 9 audit managers, 21 senior auditors, 34 auditors, 50 assistant auditors and 15 audit clerks

262. The report of the Auditor General on the financial transactions and financial statements of the Government of Jamaica for the financial year ended 31st march, 2015 was submitted to the Speaker of the House on 23rd December 2015. This repeated the submission timing of the previous two years. Indicator 29.2 discusses the submission of reports for financial audit and the lack of a consolidated whole of government financial statement. Given that there is no timing for receipt after the end of the financial but the submission is before the end of the calendar year, it is likely that the AuGD takes no more than six months to complete the audits of financial statements listed in 30.1 above. Score B

PI-30.3 External audit follow-up

263. **Audit recommendations are made in two stages.** The first stage is during the audit process when the audited entity reviews the draft report and has the ability to respond before the report is finalized. Once the report is finalized further follow up is conducted by the AuGD in producing the briefing papers to the PAC (see Indicator 31.2) which provide details of follow up. There are further recommendations by the PAC which the AuGD follows up on. Discussions with the AuGD indicated that it is content with the level of response and follow up. Score A

PI-30.4 Supreme Audit Institution (SAI) independence

264. **The Auditor General mandate is laid down in Section 120 Constitution of Jamaica.** In the exercise of his/her functions, the Auditor General shall not be subject to the direction or control of any other person or authority. The Auditor General is appointed by the Governor General. The Auditor-General may be removed from office only for inability to discharge the functions (whether arising from infirmity of body or mind or any other cause) or for misbehavior. Part IV of the FAA Act focuses on the operations of the Auditor General. Section 25 deals the Auditor General to have access to all records of entities being audited.³⁶

265. Nevertheless, weaknesses in the legal framework, limiting the independence of the Auditor General have been identified in the Auditor General's annual report. This Reports of 2014 and 2015 states "The legal framework for the Auditor General, which is entrenched in the Constitution, outlines her responsibility to audit all Government institutions, including those entities and projects where Government's money is spent. The Constitution also speaks to the independence of the Auditor General which insulates the Auditor General from the control or direction of a body or person. However, the AuGD has fallen short of the standards of independence set by INTOSAI as the financial and human resources of the Department are controlled by the MOFPS and the Office of the Services Commission (OSC), respectively". The

³⁶ Discussions with the Auditor General revealed that this provision has been challenged and the ability of the Auditor General to access records has been upheld in Court.

budget is set by MOFPS as part of the overall budget formulation process and is voted in that context. Staff appointments are as for the Civil Service. Score C

PI-31 Legislative scrutiny of audit reports

	2016	Minimum Requirements
PI-31 Legislative scrutiny of audit reports	B	Scoring Method M2
31.1 Timing of audit report scrutiny	C	Scrutiny of audit reports on annual financial reports has been completed by the legislature within 12 months from receipt of the reports.
31.2 Hearings on audit findings	A	In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer
31.3 Recommendations on audit by the legislature	A	The legislature issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation
31.4 Transparency of legislative scrutiny of audit reports	D	Performance is less than required for a C score.

266. This indicator focuses on scrutiny of the audited financial reports by central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. The assessment covers the last three fiscal years, 2013/14, 2014/15 and 2015/16.

PI-31.1 Timing of audit report scrutiny

267. **The Public Accounts Committee is tasked with scrutinizing the audit report.** Specifically, it reviews accounts showing the appropriation of sums granted by the legislature to meet public expenditure; any such accounts as may be referred to it by the House or under any law; the report of the Auditor General or any such accounts. It also examines the accounts and financial statements laid in the House on Statutory Bodies, Public Corporations and Public Companies in which the GoJ hold a majority share.

268. **The Public Accounts Committee is active.** Standing Order 68 I 9a) and 69 of the House authorizes the work of the PAC. It has 13 members (as of September 2015). At the time of the assessment, the PAC is examining the 2014/15 report. Between February and September 2015 it met 6 times to examine the AuGD's annual report and other reports for 2013/1. During March 2014 to February 2015 it met 11 times to examine the 2012/13 AuG's annual report, and between March 2013 and December 2014 it met 15 times covering the AuGD's reports of 2010/11 and 2011/12.

269. **The Committee produces a report which reflects the deliberations during the period it sits rather than a report on individual meetings.**³⁷ However, there are minutes of meetings kept by the Clerk. The AuGD's report has in the last three years been submitted around 23rd December for the previous fiscal year's accounts. The PAC has convened when the House sits and the first of its meeting has been 2 – 3 months after the receipt of the AuGD's report. The PAC has a schedule that gives entities about one month to respond to the AuGD's report and then gets one month's notice of its selection to appear before the PAC. Score C

PI-31.2 Hearings on audit findings

270. **Responsible officers are called before the committee for questioning.** The scrutiny focus is centered on issues raised in the AuGD's report. Entities are only scheduled if the Auditor General indicates that (i) they have not responded satisfactorily, (ii) they have failed to take any action at all or (iii) they have taken action but based on the nature of the matters involved they should still be aired. The AuGD prepares a briefing paper for the PAC on the issues so the concentration of questioning is on areas that the AuGD has identified in the annual report³⁸. Any issues that have been dealt with in the interim by the entity under question are not addressed and these are identified in the AuGD's briefing. The Deputy Financial Secretary (Public Expenditure & Policy Coordination Division) also provides technical support, Score A

PI-31.3 Recommendations on audit by the legislature

271. The PAC makes recommendations made on audit. Each of its reports has an executive summary section on findings and recommendations. Given the relationship between the AuGD and the PAC, follow up is conducted by the AuGD and is systematically reported in the briefing notes. Score A

PI-31.4 Transparency of legislative scrutiny of audit reports

272. **Hearings on audit findings are made in public.** The reports of the PAC are forwarded to the House and are tabled in the House and are debated. They thus become a public document through the official channels such as Hansard. The Press can attend meetings and report on them. The meetings are on TV and radio. However, the reports are not easily accessible to the public and are not published on a website³⁹. Score D

³⁷ PAC report on the AuGD 2012/13 report presented to the House June 2015 and 2013/14 AuGD report presented September 2015.

³⁸ The AuGD supplied 90 briefing papers in soft copy to the Assessment Team covering the period of the PAC's reports noted above.

³⁹ The evidence of PAC meetings and report was supplied from the files by the Clerk to the Committee to the Assessment Team

4 CONCLUSIONS ON THE ANALYSIS OF PFM SYSTEMS

4.1 Integrated assessment across the performance indicators

Budget reliability

273. The challenges in realizing optimistic revenue projections that had undermined the credibility of the budget in the previous PEFA have been met. Actual revenues received have been consistently higher than the budget plan during this assessment period (score A). As a result, the expenditure side of the budget has also scored A, although this has been dampened by the expenditure composition by economic type (score C). This result has been primarily caused by the use of an unallocated contingency (for expected expenditures) in the original budget in budget execution. This overall result has been achieved in the context of improvements in the procedures for supplementary and virement. Nevertheless, the process of controlling budget allocations to match the availability of cash has not been supported by good cash forecasting (score C) which results in budgetary units not having certainty in the availability of funds to execute their budgets as planned (Score B).

Transparency of public finances

274. **Jamaica has an impressive array of information regarding the finances of the budgetary central government.** The CoA, which underpins budget preparation, execution and reporting, is comprehensive and consistent with GFS standards (score A). This has been a significant recent achievement. The transfers to sub-national government (albeit small) are transparently determined and also included in the budget (score A). As a result, the budget documents include all of the basic, and much of the supplementary, information required to support a transparent budget process (score A).

275. There is complete data regarding extra-budgetary operations in the Estimates of Revenue and Expenditure for the Year for public bodies. Taken together with Estimates of Revenue and Expenditure for MDAs and their supported agencies, there is comprehensive coverage of the whole of government in the budget documents (score A). In contrast information on performance in service delivery outputs and outcomes across the government sectors is patchy (score D). As the performance-informed approach is not yet formalized in the budget cycle, some inroads are needed in the budget process to drive efficiency in program delivery.

276. **The details of the budget formulation process and information contained in the budget documentation is strong** (score A). Nevertheless, publishing more of the very good data and analysis produced through the budget cycle would foster better overall fiscal transparency (Score D). The biggest weakness is in within year and annual budget execution reports. The Budget is immediately published when submitted to the Parliament but annual financial statements are not timely and immediately made public. The Fiscal Policy Paper provides the parameters within which the budget is to be prepared.

Management of assets and liabilities

277. **A comprehensive and inclusive process is lacking in managing public investment program.** All but one elements of public investment management assessed in the PEFA scores a D. Reporting of risks associated with public corporations (score C), and local government authorities (score D) is also not a prominent feature of the PFM system in Jamaica. The recent Fiscal Policy Paper quantifies fiscal risks from natural disasters but other potential fiscal risks are not discussed (score C). The gaps in information availability regarding public corporations and local government authorities raises the prospects that risks and financial pressures in these entities do not gain the prominence they deserve in planning and budgeting. However, MOFPS stated they produce alternative fiscal scenarios based on different macroeconomic assumptions for internal purposes only, and have thus far chosen not to publish these results.

Policy-based fiscal strategy and budgeting

278. Good progress has been made towards a comprehensive medium term expenditure framework in the development of the Fiscal Policy Paper but many aspects are yet to be fully embedded in the budget process. Fiscal strategy setting is strong and well elaborated, particularly in the budget published documents. The Government has established a set of basic fiscal targets centered on reducing the debt to GDP ratio to 60 percent by the end of FY 2026; to reduce the wages paid by the central government to 9 percent of GDP by the end of FY 2016; and A fiscal balance that is consistent with the debt to GDP target. (Score A).

279. A medium term approach is not taken to expenditure budgeting, with baseline multi-year ceilings based on the forward estimates of the most recently approved prior budget. The budget is presented for the up-coming year only. (Score D).

Predictability and control in budget execution

280. **Revenue administration is strong but some constraints remain particularly with respect to the stock of arrears.** The taxation system is based on comprehensive legislation providing information on the tax liabilities of taxpayers. This is supported by information leaflets that can be accessed on-line and at departmental offices, as well as media broadcasts, training and awareness events (score A). Discretionary powers have been removed in recent legislation. The appeals mechanisms are clearly defined by law, with Independent Revenue Appeals Boards in place (score A). Risk based auditing is implemented in both the TAJ and JCA. The TAJ and JCA both classify taxpayers by size. IRD uses a Risk Portal for audit selection based on risk scoring criteria while JCA now applies risk criteria through ASYCUDA in determining the process, scrutiny and audit applied to importers. It is estimated that some 85 percent of planned audits by value were carried out by TAJ and JCA in the last financial year (score C). Nonetheless, despite the advances made in revenue administration, arrears amount to 30 per cent of expenditure and 95 per cent of arrears are older than 12 months. Recent legislation has made write off an option that was much more difficult to enact in the past and arrears are falling as a proportion of tax collected, but are still high (score D).

281. **Revenue collected is well managed in terms of the flow of funds to the Treasury and recording of transactions.** All revenues are either received directly into the Treasury controlled main account or transferred by cashiers each day from outlying offices. These accounts are reconciled on a monthly basis (score A). However, there is a severe weakness in that consolidated revenue reports with analysis are not produced monthly for management although there is informal, ad hoc reporting (score D).

282. **There is some information about cash available on most bank accounts and these are consolidated monthly.** However, a substantial number of accounts with unknown balances appear to be outside this consolidation (score C). Cash flow forecasts are prepared annually and updated monthly but do not adequately reflect cash needed by MDAs for paying procurement contracts (score C). Budget allocations are released on a monthly basis and these act as a ceiling on commitments (score C). Nonetheless, this tight management of budget releases has not been largely successful in reducing arrears which are around 10% (score C) and these arrears are not well monitored (score D).

283. **The personnel management system is highly decentralized and fragmented.** Many different systems are applied in the about 180 government entities which in total employ some 120,000 staff (score C). Nevertheless, retroactive adjustments happen occasionally, particularly as regards allowances and other benefits, but they are not considered a significant issue and Internal audits have not identified systemic issues (score B). The procurement database is comprehensive (score A) but there are weaknesses in the bidding process (score D) and the public's access to information (score C) and complaint process (score C). The application of compliance controls on non-salary payments is good (score B) but segregation of duties (score C) and commitment controls (score C) both require attention.

284. **The internal audit function is well-established and includes coverage for all of central government** (score A). It focuses on systems and internal controls that are based on a risk assessment processes and include evaluation procedures for quality control (score A). Nevertheless, while annual audit programs exist, implementation is often delayed and not completed within the initial scheduled year (score D). Management responds to most recommendations and implementation is included in follow-up audits (score B).

Accounting and reporting

285. **Accounts reconciliation and financial data integrity are areas of relative weakness** (score C). Bank account reconciliation is not timely (score D). There are still steps to take to eliminate the backlog of suspense accounts (score D) and reconcile advance accounts (score C). However, data integrity has also improved due to oversight of access through IT controls.

286. **In-year budget execution reports are prepared by all MDAs and submitted to various MOFPS departments/divisions** (score A). They cover revenue and expenditure broken down by all elements of the budget classification and directly compare actuals to budget appropriations. The reports are submitted monthly insofar as recurrent budget

execution is concerned, but compliance with submission requirements including timeliness is variable. Six-monthly reports only include execution data for capital budgets (score D). Whilst the monthly data is consistent, there are some concerns as to the accuracy (score C). The annual financial statements prepared annually are comparable with the approved budget. The financial reports are prepared by budget entities. No data on financial and tangible assets, liabilities, guarantees or long-term obligations are reported (score C). The reports are not consolidated but are audited individually and are not submitted on a timely basis (score D). The basis of accounting, as noted by the auditor general, is consistent with the legal framework of the country and has been consistently reported (score C).

External scrutiny and audit

287. **External audit and scrutiny are areas of significant strengths.** The Auditor General Department is active in carrying out financial and compliance audits. It adopts ISSAI and INTOSAI auditing standards to govern its work with audit plans and strong staff development programs (score A). Timeliness of submission of the annual report is constrained by the lack of consolidated financial statement (score B). Nevertheless, the independence of the AuGD is curtailed by its budget being part of the Government budget formulation process (score C). External scrutiny of audit reports by the PAC is very positive and this is focused on areas that the AuGD has identified (score A). The capacity of the scrutiny process is enhanced by the preparation of briefing prepared for the PAC by the AuGD. The PAC tables a consolidated report to the House of Representatives with reasonable timeliness (score C) and while its hearings are in public with all media able to be present, its reports are not available to the public on easily accessible channels such as the Parliament website. Putting its reports on the website as soon as it is tabled in the House would raise the current D score to an A score as all other conditions are met. The AuGD also audits the Fiscal Policy Paper which is also subject to scrutiny by the Public Administration and Appropriations Committee that is active in examining issues affecting both the implementation of the budget and public administration.

4.2 Effectiveness of the internal control framework

288. An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the control objectives. The objectives of any internal control framework are: a budget executed in an orderly, ethical, economical, efficient and effective manner; accountability for results; compliance with applicable laws and regulations; and, safeguarding of resources against loss, misuse and damage.

289. **The internal control framework of Jamaica, as set out in annex 2, is sound.** The scores in related indicators and dimensions reinforce that controls associated with the day-to-day transaction of the budgetary central government are functioning and result in good data integrity regarding the activities of these entities. The FAA Act and regulations provide the legal framework, and allow for specific roles and responsibilities, segregation of duties, and operating processes. The FINMAN is a good example of where systems based controls and

business processes result in a system of data integrity. The system embeds access controls and audit trails that support the internal control framework.

290. **However, the current compliance based approach does not support continuous improvement in the control environment.** It is currently the case that the internal controls within MDAs are notionally the responsibility of Finance Offices and the Accounting Officers. In practice, however, through FINMAN and other IT systems, the Accountant General acts as the de-facto controller over expenditure transactions. As system evolution is occurring, Finance Offices will become more responsible and accountable for the internal control framework within their operations.

291. **The system is supported by a strong internal audit and oversight function.** The internal audit function is strong and while there still remains processes of pre-audit that establish ex-ante control over payments and review all financial statement prior to publishing, these systems are moving towards a more modern approach, consistent with international audit standards. This improvement will further identify and address any systemic weaknesses in the control environment. The internal audit system is supported by a central Internal Audit Unit that provides management and training for audit planning, risk assessments, and reporting functions. The reports and findings are further investigated and analysed by the Public Accountability Inspectorate within the Ministry of Finance and subsequently the PAC/PAAC committees in Parliament.

292. **A risk based approach is utilized in some areas but could be further expanded.** Risk assessment is an important part of the control framework that applies to internal audit and analysis by Ministry of Finance. Similarly, certain activities, such as advances, payroll, and pension payments receive a higher level of attention in the ex-ante control process. However, a broader examination of risk at MOFPS level is focused on control and governance arrangement in place for public entities such as public corporations and extra-budgetary units. Control over fiscal risks associated with these entities is undergoing reforms and will support improved fiscal management.

293. Improving compliance with annual reporting and monthly budget execution reports will provide stronger controls and improve transparency. Complete in-year reporting is infrequent and end-of year reports are completed with substantial time lag. The result of this is that the performance of managers, in terms of financial accountability is not reported timely.

294. **An area of concern for the internal control environment is the lack of consolidated annual financial statements.** The current process involved delay in preparation of the annual financial reports by Ministries, which in turn creates further delays at the Auditor General and scrutiny by Parliament. The Auditor General is not receiving financial statements in a timely manner as they are prepared individually by entity. Thus, financial statements of several years, over several entities, may be ongoing although the Auditor General is continually performing interim field work, audit. This delay minimizes the information available for Parliament to review

on the results of operations for the year. The PAC is, however, actively involved and provides continual oversight of the audit reports. Greater transparency and accountability would encourage Accountable Officers in building more robust performance and risk oriented internal control frameworks.

4.3 Strengths and weaknesses of PFM

Aggregate Fiscal Discipline

295. Aggregate fiscal discipline is achieved due to control over spending during budget execution as well as realistic revenue forecasts. Strong revenue administration ensures that revenues are efficiently collected. The planned budget is not circumvented by the excessive use of virement and supplementary budgets and treasury operations and cash management enables expenditures to be managed within the available resources. However, control of contractual commitments is not sufficiently effective, creating a risk of generating further expenditure arrears.. The strong external audit function and scrutiny by both the Public Accounts Committee (past performance) and Public Administration and Appropriation Committee of the House of Representatives (budget execution) enhances fiscal discipline.

Strategic allocation of resources

296. There is only a one-year horizon in the budget planning process which limits the effectiveness of implementing national and strategic plans. There is a strong emphasis on the overall fiscal framework and this now needs to be transmitted to the budget formulation process at the individual MDAs. The Chart of Accounts caters for a multi-dimensional analysis of expenditure and then needs to be applied to strengthen the strategic allocation of resources.

Efficient use of resources for service delivery

297. **The current weaknesses in the procurement system could have adverse implications for the efficiency in service delivery.** Weaknesses in the accountability mechanisms – such as the limited comprehensiveness and delayed issue of annual financial statements - make external audits and their scrutiny ineffective as counter checks on inefficient use of resources. Patchy publishing of performance targets and outcomes, lack of systematic program evaluation and data on resources available at service delivery units also undermines accountability. Such information would help management decision making to support improved service delivery. On the revenue side, operational efficiency is compromised by the accumulation of tax arrears. Lack of effective tax debt collection undermines credibility of tax assessments and the principle of equal treatment to taxpayers. The introduction of arrears write-off legislation would afford the opportunity to clean up tax arrears and make them current.

4.4 Performance changes since previous assessment

298. While the PEFA has been carried out using the 2016 methodology, it has been possible to score against the 2011 PEFA methodology which was used in the 2012 PEFA assessment of Jamaica. Across the 71 individual indicator dimensions compared, there has been an improvement in 29 dimensions, a deterioration in 4 and no change identifiable in 31 dimensions. It was not possible to establish the direction of change for the remainder 7 dimensions.

299. The comparison of the assessments indicate that between 2012 and 2016 budget credibility has improved as revenues are now well in line with budget estimates. The Chart of Accounts has been modernized to comply with GFS standards. The reporting of expenditures and revenues by public bodies is both comprehensive and timely. There have also been improvements in the budget calendar and internal audit and particularly in tax administration. The main area of backsliding is in the timeliness of in-year budget execution reports and end-year financial statements. However, external audit and legislative oversight have strengthened which will eventually impact on service delivery and the allocation of sources once a medium term and strategic approach to budget planning is enacted.

5 GOVERNMENT PFM REFORM PROCESS

5.1 Overall Approach to PFM Reform

300. The Government of Jamaica (GOJ) has undertaken several initiatives during the past few years aimed at strengthening management of its public finances. The Government has been constantly made aware by citizens and other stakeholders of the need to improve service delivery and enhance the quality of service provided by the State. Consecutive PEFA Assessments conducted in 2007 and 2012 confirmed that a number of critical challenges exist in the budgetary process. In response, a Public Financial Management (PFM) Strategy and subsequently a PFM action plan outlined a process and the activities that would be pursued to address the identified deficiencies.

301. The overarching goal of the PFM action plan is to ensure the optimal utilization of public resources for Jamaica's long-term sustainable development. The action plan is aimed at strengthening the financial management system to improve core PFM fundamentals and support fiscal discipline, strategic allocation of resources, effective and efficient service delivery as well as overall accountability.

302. Identified as major deficiencies identified were:

- Strategic approach to budget preparation;
- Fragmented budget planning process particularly in regard to the preparation of the capital program;
- Insufficient control over the public investment planning process;
- Weak link between government priorities, planning, and budget.

303. The Government of Jamaica obtained assistance from development partners in the reform agenda through the provision of policy advice and technical assistance.

304. **The PFM reform agenda is a comprehensive one and recognized the linkages between and among the various PFM functions.** The focus would be on getting the basics right to include such activities as proper cash management, adequate and timely reporting of financial transactions and improvements in taxpayer services.

305. **The PFM reforms of the Government of Jamaica are also being undertaken within the context and IMF supported program.** Some of the activities included as benchmarks which are key to the success of the program have been identified on the PFM action plan.

5.2 Recent and on-going reform actions

306. Over all the ongoing reforms are captured in four main themes.

- Strengthening Public Investment Management System
- Strengthening of the budget preparation process and the introduction of Result Based Budgeting.
- Tax Reform
- Legislative Reform

307. **The ongoing reforms and the achievements to date are summarized:**

- Implementation of a new Treasury-linked accounting and reporting system and the establishment of a Treasury Single Account to facilitate the centralization of government cash management function. A key focus going forward is the strengthening of this cash management function and the modernization of the Accountant General's department.
- To provide for enhanced fiscal rules, a Fiscal Policy Paper was first tabled in September 2014 and this has continued with an interim and final version on a six monthly basis. The FPP is audited by the Auditor General and scrutinized by the PAAC and is available to the public.
- An Oversight Committee has been established to develop a Code of Conduct for Public Bodies. Cabinet Office is currently making arrangements to negotiate with the Management Institute for National Development to commence the assignment.
- The Public Investment Management System has been introduced to provide a common framework for the preparation, appraisal, approval and management of public investments in Jamaica, irrespective of source of funding or procurement and implementation modalities. The Secretariat has been staffed and has commenced operations.
- A new legally binding Budget Calendar was introduced in April 2014 to ensure that the budget is prepared and approved before the start of any financial years.
- The Budget Call Circular was first prepared in September 30, 2014 and has since been produced annually and is issued to guide the preparation of the annual budget. MDAs are required to submit estimates including two year forward estimates.
- The implementation of a Budget Preparation and Management System which has been procured and is now being configured and tested so that medium term results-based budgeting can be developed to sustain the results of the reform program.
- Training sessions and workshops for Budget analysts, Budget Officers and Corporate Planners are on-going to ensure staff capacity to implement the change management program being undertaken across the Ministry of Finance and the Public Service.
- A major strategic objective is to modernize the Tax Administration of Jamaica and the Jamaica Customs Agency by modernizing and automating tax administration processes. New Revenue administration systems have been fully implemented at both the TAJ (RAIS) and JCA (ASYCUDA). Also, success was achieved in the following areas:
 - Strengthening enforcement and taxpayer services particularly in regard to improved physical accommodation, introduction of third party payment options and other online services;
 - Introduction of an Electronic Content Management System– currently records of the JCA, the Accountant General's Department and the TAJ are being digitized.

- The Revenue Appeals Division has been established with an organizational structure and business processes, and automation (now integrated as part of the RAIS system).
- Strengthen and modernize the physical ICT infrastructure by upgrading IT infrastructure and replacing, and where necessary, increasing the number of computers for the Accountant General's Department, the Financial Systems Unit of the MOFPS as well as the Customs Agency.
- An e-tendering system is now in place and the Public Procurement Bill was tabled in Parliament on July 29, 2014. To boost transparency, a procurement page has been introduced in public media to ensure the availability of procurement opportunities is presented to potential suppliers.
- A Training Lab is established at MIND to facilitate training in key PFM areas including the new CoA, as well as the new Commitment and Purchase Order Modules.
- In order to improve wage bill and payroll control, a new IT system for HR management (HCMES) has been procured and will become operational in 14 pilot entities in February 2017. It will cover all government employees and be directly linked to the CPPS.

5.3 Institutional considerations

308. **The success of the planned reforms is to a large extent dependent on the quality of the institutional arrangements.** The reforms have the full support of the Cabinet and the relevant Houses and Committees of the Parliament. The Ministry of Finance provides leadership at the technical level, providing guidance, direction and the first level of follow-up. To this end, the Government has ensured that a PFM Reform Steering Committee comprising of senior officials of the Ministry of Finance, the Revenue Agencies, the Revenue Appeals Division and the Accountant General's Department. The Steering Committee is chaired by Financial Secretary. A Public Financial Management Secretariat was established in the Ministry of Finance to provide support to the Steering Committee.

309. **A Monitoring Committee was also established to lead the monitoring of the implementation of the action plan.** Each Division of Ministry of Finance is required to appoint an individual who is given the responsible for coordinating the reporting for that particular Division. A sub- group of the Monitoring Committee comprising of three members is tasked with finalizing the reports that are fed to the Steering Committee. The line ministries are active in the implementation of the reforms as they must implement the proposed reforms in their day to day operations.

310. A Public Sector Master Rationalization Plan has been prepared and contains the recommendations for rationalizing and transforming the entire Public Sector.

ANNEX 1.1 PERFORMANCE INDICATOR SUMMARY

Indicator/Dimension	Score	Minimum Requirements
PI-1 Aggregate expenditure out-turn	A	
1.1 Aggregate expenditure out-turn	A	Aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the three last years
PI-2 Expenditure composition out-turn	C+	Scoring Method M1
2.1 Expenditure composition out-turn by function	B	Variance in expenditure composition by program, administrative or functional classification was less than 10% in at least two of the last three years.
2.2 Expenditure composition out-turn by economic type	C	Variation in expenditure composition by economic classification was less than 15% in at least two of the last three years.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.
PI-3 Revenue out-turn	B+	Scoring Method M2
3.1 Aggregate revenue out-turn	A	Actual revenue was between 97% and 106% of the budget revenue in at least two of the last three years.
3.2 Revenue composition out-turn	B	Variance in revenue composition was less than 10% in two of the last three years,
PI-4 Budget classification	A	
4.1 Budget classification	A	Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional (and sub-functional) classification using GFS/COFOG standards or a classification that can produce consistent documentation comparable with those standards. Program classification may substitute for sub-functional classification if it is applied with a level of detail at least corresponding to sub-functional classification.
PI-5 Budget documentation	B	
5.1 Budget documentation	B	Budget documentation fulfills 7 elements, including at least 3 basic elements (1–4).
PI-6 Central government operations outside financial reports	B+	Scoring Method M2
6.1 Expenditure outside financial reports	A	Expenditure outside government financial reports is less than 1% of total BCG expenditure.
6.2 Revenue outside financial reports	A	Revenue outside government financial reports is less than 1% of total BCG revenue.
6.3 Financial reports of extra-budgetary units	C	Detailed financial reports of the majority of extra-budgetary units are submitted to government within nine months of the end of the fiscal year.
PI-7 Transfers to sub-national governments	C+	Scoring Method M2
7.1 Systems for allocating transfers	A	The horizontal allocation of all transfers to subnational governments from central government is determined by transparent, rule based systems.

7.2 Timeliness of information on transfers	D	Performance is less than required for a C score.
PI-8 Performance information for service delivery	D	Scoring Method M2
8.1 Performance plans for service delivery	D	Performance is less than required for a C score.
8.2 Performance achieved for service delivery	D	Performance is less than required for a C score.
8.3 Resources received by service delivery units	D	Performance is less than required for a C score.
8.4 Performance evaluation for service delivery	D	Performance is less than required for a C score.
PI-9 Public access to fiscal information	D	
9.1 Public access to fiscal information	D	Performance is less than required for a C score
PI-10 Fiscal risk management	D+	Scoring Method M2
10.1 Monitoring of public corporations	C	Government receives financial reports from most public corporations within nine months of the end of the fiscal year.
10.2 Monitoring of sub-national government (SNG)	D	Performance is less than required for a C score.
10.3 Contingent liabilities and other fiscal risks	C	Central government entities and agencies quantify some significant contingent liabilities in their financial reports.
PI-11 Public investment management	D+	Scoring Method M2
11.1 Economic analysis of investment proposals	D	Performance is less than required for a C score.
11.2 Investment project selection	D	Performance is less than required for a C score.
11.3 Investment project costing	C	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents.
11.4 Investment project monitoring	C	The total cost and physical progress of major investment projects are monitored by the implementing government unit. Information on implementation of major investment projects is prepared annually.
PI-12 Public asset management	D+	Scoring Method M2
12.1 Financial asset monitoring	C	The government maintains a record of its holdings in major categories of financial assets.
12.2 Non-financial asset monitoring	D	The government maintains a register of its holdings of fixed assets, but only collects partial information on their usage and age.
12.3 Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of nonfinancial assets are established. Partial information on transfers and disposals is included in budget documents, financial reports, or other reports.
PI-13 Debt management	B+	Scoring Method M2

13.1 Recording and reporting of debt and guarantees	C	Domestic and foreign debt and guaranteed debt records are updated annually. Reconciliations are performed annually. Areas where reconciliation requires additional information to be complete are acknowledged as part of documentation of records.
13.2 Approval of debt and guarantees	A	Primary legislation grant authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. Annual borrowing must be approved by the government or legislature.
13.3 Debt management strategy	A	A current medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.
PI-14 Macroeconomic and fiscal forecasting	B	Scoring Method M2
14.1 Macroeconomic forecasts	B	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.
14.2 Fiscal forecasts	A	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature.
14.3 Macro-fiscal sensitivity analysis	C	The macro fiscal forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions.
PI-15 Fiscal strategy	B	Scoring Method M2
15.1 Fiscal impact of policy proposals	D	Performance is less than required for a C score.
15.2 Fiscal strategy adoption	A	The government has adopted, submitted to the legislature, and published a current fiscal strategy that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.
15.3 Reporting on fiscal outcomes	A	The government has submitted to the legislature and published with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set. The

		report also sets out actions planned by the government to address any deviations, as prescribed in legislation.
PI-16 Medium term perspective in expenditure budgeting	D	Scoring Method M2
16.1 Medium-term expenditure estimates	D	Performance is less than required for a C score
16.2 Medium-term expenditure ceilings	D	Performance is less than required for a C score
16.3 Alignment of strategic plans and medium-term budgets	D	Performance is less than required for a C score
16.4 Consistency of budgets with previous year estimates	NA	Not applicable (no medium term expenditure estimates have been presented in the budget estimates).
PI-17 Budget preparation process	B	Scoring Method M2
17.1 Budget calendar	A	A clear annual budget calendar exists, is generally adhered to, and allows budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.
17.2 Guidance on budget preparation	B	A comprehensive and clear budget circular or circulars are issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings submitted to the cabinet (or equivalent). The approval of ceilings by the cabinet may take place after the circular's distribution to budgetary units but before budgetary units have completed their submission.
17.3 Budget submission to the legislature	D	Performance is less than required for a C score
PI-18 Legislative scrutiny of budgets	C+	Scoring Method M1
18.1 Scope of budget scrutiny	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue.
18.2 Legislative procedures for budget scrutiny	C	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to.
18.3 Timing of budget approval	C	The legislature has approved the annual budget within one month of the start of the year in two or more of the last three fiscal years.
18.4 Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget adjustments by the executive, and are adhered to in most instances. Extensive administrative reallocations may be permitted.
PI-19 Revenue administration	B	Scoring Method M2
19.1 Rights and obligations for revenue measures	A	Entities collecting most revenues use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.
19.2 Revenue risk management	A	Entities collecting most revenues use a comprehensive, structured and systematic approach for assessing and prioritizing compliance risks for all categories of revenue and, as a minimum for their large and medium revenue payers.

19.3 Revenue audit and investigation	C	Entities collecting <i>the majority of</i> revenue undertake audits and fraud investigations using a compliance improvement plan, and complete the majority of planned audits and investigations.
19.4 Revenue arrears monitoring	D	Performance is less than required for a C score.
PI-20 Accounting for revenue	D+	Scoring Method M1
20.1 Information on revenue collections	D	Performance is less than required for a C score
20.2 Transfer of revenue collections	A	Entities collecting <i>most</i> central government revenue transfer the collections directly into accounts controlled by the Treasury, or transfers the collections daily to the Treasury and other designated agencies.
20.3 Revenue accounts reconciliation	A	Entities collecting most central government revenue undertake complete reconciliation of assessments, collections, arrears and transfers to Treasury and other designated agencies at least quarterly within four weeks of the end of quarter
PI-21 Predictability of in-year resource allocation	C	Scoring Method M2
21.1 Consolidation of cash balances	D*	Insufficient information available to score.
21.2 Cash forecasting and monitoring	C	A cash flow forecast is prepared for the fiscal year.
21.3 Information on commitment ceilings	C	Budgetary units are provided reliable information on commitment ceilings at least one month in advance.
21.4 Significance of in-year budget adjustments	B	Significant in-year budget adjustments to budget allocations take place no more than twice in a year and are done in a fairly transparent way.
PI-22 Expenditure arrears	D	Scoring Method M1
22.1 Stock of expenditure arrears	D	Performance is less than required for a C score.
22.2 Expenditure arrears monitoring	D	Performance is less than required for a C score.
PI-23 Payroll controls	D+	Scoring Method M1
23.1 Integration of payroll and personnel records	C	Reconciliation of the payroll with personnel records takes place at least every six months. Staff hiring and promotion is checked against the approved budget prior to authorization.
23.2 Management of payroll changes	B	Personnel records and payroll are updated at least quarterly and require a few retroactive adjustments.
23.3 Internal control of payroll	D	Performance is less than required for a C score.
23.4 Payroll audit	C	Partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years.
PI-24 Procurement management	C+	Scoring Method M2
24.1 Procurement monitoring	A	Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for all procurement methods for goods, services and works.

24.2 Procurement methods	D	Performance is less than required for a C score.
24.3 Public access to procurement information	C	At least three of the key procurement information elements are complete and reliable for government units representing the majority of procurement operations and are made available to the public.
24.4 Procurement complaints management	B	The procurement complaints system meets criterion (1) and three of the other criteria.
PI-25 Internal controls on non-salary expenditure	C+	Scoring Method M2
25.1 Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process. More precise definition of important responsibilities may be needed.
25.2 Effectiveness of expenditure commitment controls	C	Expenditure commitment control procedures exist which provide partial coverage and are partially effective.
25.3 Compliance with payment rules and procedures	B	Most payments are compliant with regular payment procedures. The majority of exceptions are properly authorized and justified.
PI-26 Internal audit	D+	Scoring Method M1
26.1 Coverage of internal audit	A	Internal audit is operational for all central government entities.
26.2 Nature of audits and standards applied	A	Internal audit activities are focused on evaluation of the adequacy and effectiveness of internal controls. A quality assurance process is in place within the internal audit function and audit activities meet professional standards, including focus on high risk areas.
26.3 Implementation of internal audits and reporting	D	Performance is less than required for a C score.
26.4 Response to internal audits	B	Management provides a partial response to audit recommendations for most entities audited within 12 months of the report being produced.
PI-27 Financial data integrity	C	Scoring Method M2
27.1 Bank account reconciliation	D*	Insufficient information to score.
27.2 Suspense accounts	D	Performance is less than required for a C score.
27.3 Advance accounts	C	Reconciliation of advance accounts takes place annually, within two months from the end of the year. Advance accounts may frequently be cleared with delay.
27.4 Financial data integrity processes	A	Access and changes to records is restricted and recorded, and results in an audit trail. There is an operations body, unit or team in charge of verifying financial data integrity.
PI-28 In-year budget reports	D+	Scoring Method M1
28.1 Coverage and comparability of reports	C	Coverage and classification of data allow direct comparison to the original budget for the main administrative headings.
28.2 Timing of in-year budget reports	D	Performance is less than required for a C score.
28.3 Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. Data is useful for analysis of budget execution. Expenditure is captured at least at

		payment stage.
PI-29 Annual financial reports	D+	Scoring Method M1
29.1 Completeness of annual financial reports	C	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, and cash balances.
29.2 Submission of reports for external audit	D	Performance is less than required for a C score.
29.3 Accounting standards	C	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed.
PI-30 External audit	C+	Scoring Method M1
30.1 Audit coverage and standards	B	Financial reports of central government entities representing most expenditure and revenue have been audited using ISSAIs or consistent national auditing standards during the last three completed fiscal years. The audits have highlighted any relevant material issues and systemic and control risks.
30.2 Submission of audit reports to the legislature	B	Audit reports were submitted to the legislature within 6 months from receipt of the financial reports by the audit office for the last three completed fiscal years.
30.3 External audit follow-up	A	There is clear evidence of effective and timely follow up by the executive, or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years
30.4 Supreme Audit Institution (SAI) independence	C	The SAI operates independently from the executive, ensured through the procedures for appointment and removal of the Head of the SAI as well as the execution of the SAI's budget. The SAI has unrestricted and timely access to the majority of the requested records, documentation and information.
PI-31 Legislative scrutiny of audit reports	B	Scoring Method M2
31.1 Timing of audit report scrutiny	C	Scrutiny of audit reports on annual financial reports has been completed by the legislature within 12 months from receipt of the reports.
31.2 Hearings on audit findings	A	In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer
31.3 Recommendations on audit by the legislature	A	The legislature issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation
31.4 Transparency of legislative scrutiny of audit reports	D	Performance is less than required for a C score.

ANNEX 1.2 COMPARISON OF PEFA SCORES OF 2012 AND 2016

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	A	→	No significant change in performance Deviation in 2016 (excluding externally financed projects) 2013/14 95.3% 2014/15 97.7% 2015/16 97.8%
PI-2 Composition of expenditure out-turn compared to original approved budget	B+	B+	→	Scoring method M1 No significant change in performance
(i) Extent of the variance in expenditure composition during the last three years	B	B	→	Deviation in 2016 (excluding externally financed projects) 2013/14 7.4% 2014/15 6.4% 2015/16 5.0%
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	A	A	→	No change apparent. The contingency amounts to less than 1 per cent of total expenditure.
PI-3 Aggregate revenue out-turn compared to original approved budget	D	A	↑	Improved. There has been a massive improvement in forecasting realistic revenue for the budget and meeting these in revenue collection Deviation in 2016 2013/14 102.6% 2014/15 103.9% 2015/16 100.5%
PI-4 Stock and monitoring of expenditure payment arrears	C+	C		Overall direction of change cannot be established. Scoring method M1
(i) Stock of expenditure payment arrears and a recent change in the stock.	B	C		Direction of change cannot be verified. The stock of arrears is reported at 8.2% of total expenditure as at end of FY2015/16. The nominal stock was reduced by 12% since the end of FY2013/14. The 2012 PEFA appears to have used incomplete data e.g. tax refund arrears were not mentioned.
(ii) Availability of data for monitoring the stock of expenditure payment arrears.	C	C	→	No change. A system of arrears monitoring is in place with regular updates. Most likely, however, it significantly underestimates the real size of the arrears stock. The data collection system and government definition of arrears for monitoring and

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
				reporting purposes do not appear to have changed significantly.
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	A	A	↑	Improved. New CoA (August 2015), is GFS 2001 compliant and thus Budget is classified by Function, sub-function, Programme, sub-programme, project and economic object. Listing of Capital B may cause some confusion but Government can report in GFS format. The 2012 Score appears incorrect and should probably have been a C.
PI-6 Comprehensiveness of information included in budget documentation	A	A	↑	Improved. Budget documentation is comprehensive and includes a Fiscal Policy Paper, Budget Call, Budget Speech, Details of Revenue and Loan Receipts and Estimates of Expenditure. There are information benchmarks data available in 2016, particularly with respect to forecasts.
PI-7 Extent of unreported government operations.	NS	A		Overall direction of change cannot be established. Scoring method M1
(i) Level of unreported government operations	NS	A		Direction of change cannot be established. With the implementation of the <i>Public Bodies Management Act</i> the government now reports in the Jamaican Public Bodies Estimates of Revenue and Expenditure for all Public Bodies the audited previous year, estimated current year and next projected year revenue & expenditures for all extra-budgetary Public Bodies. 2012 score was mainly based on payment arrears which should have been covered by PI-4 only.
(ii) Income/expenditure information on donor-funded projects	A	A	→	No change. The Budget currently list all donor funded projects as Capital B and in the Chart of Accounts each donor has their own code in the Fund Source Segment
PI-8 Transparency of inter-governmental fiscal relations.	C	C	→	No apparent change in performance. Scoring method M2
(i) Transparency and objectivity in the horizontal allocation amongst Sub national Governments	A	A	→	No change. Legislation sets out transparent mechanisms for local authorities to receive revenues through their share of property taxes and vehicle registration. Government provides an annual grant to assist with salaries and administration costs based on historical allocations augmented for salary increase and inflation. Same system as in 2012.
(ii) Timeliness and reliable information to SN	D	D	→	No change apparent. Although set out in policy and practice there is no formal Budget call or issuance of

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
Governments on their allocations				Budget ceilings to Local Authorities. Local Authorities must determine their Budgets based on the previous year's estimates and submit to the Ministry of Local Government by December 1 st to receive final totals and approval.
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	D	D	→	No change. No consolidation of fiscal data occurs.
PI-9 Oversight of aggregate fiscal risk from other public sector entities.	A	B		Overall direction of change cannot be established. Scoring method M1
(i) Extent of central government monitoring of autonomous entities and public enterprises	A	B		Direction of change could not be established. All major PBs submit annual audited accounts (12 months after end of FY2014-15 only 5% of PBs by turnover had not submitted). The information is consolidated into a volume of the annual budget documentation. The 2012 rating appears to have been made mainly on legislative intent rather than data on practice.
(ii) Extent of central government monitoring of SN government's fiscal position	A	B	→	No change apparent, but possible deterioration. It is not clear if there were expenditure arrears prior to 2012. Local authorities can generate liabilities for central government and occasionally do so through expenditure arrears being cleared from central government funds. MLGCD monitors budget execution by local authorities, most of which submit reports. A consolidated overview of budget execution is prepared quarterly.
PI-10 Public access to key fiscal information	C	C	→	No change. The government makes available to the public two elements, annual budget documents and the contract awards.
C. BUDGET CYCLE				
C (i) Policy-Based Budgeting				
PI-11 Orderliness and participation in the annual budget process	B	B+	↑	Improved performance. Scoring Method M2
(i) Existence of, and adherence to, a fixed budget calendar	C	A	↑	Improvement. For FY2015/16 new budget calendar introduced and complied with time lines for a new Budget Cycle.

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
(ii) Guidance on the preparation of budget submissions	A	A	↑	Improvement. Budget call with ceilings issued on or before September 30 th . This is earlier than in the 2012 assessment but remains an A.
(iii) Timely budget approval by the legislature	C	C	↑	Improvement. During 2010, 2011 and 2012, no budget was approved before start of FY (delay 1-3 months). New Budget procedures were implemented for Budget Year 2015/16 where the Budget was tabled & approved before the commencement of the new fiscal year. Approval dates: 2016/17: 25 May 2016 2015/16: 24 March 2015 and 2014/15: 30 April 2014
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	B	C+		Overall direction of change cannot be established. Scoring method M2
(i) Multiyear fiscal forecasts and functional allocations	C	C	→	No change in score. Although there are no forward estimates in the Budget the Fiscal Policy Paper gives an overall government 3-year estimate as well as Recurrent and Capital Estimates for each MDA on a rolling annual basis
(ii) Scope and frequency of debt sustainability analysis	A	A	→	No change. Through the IMF supported structural adjustment program there are regular debt sustainability analysis undertaken by IMF surveillance. In addition, there has been a recent internal training for MoFPS to conduct them internally.
(iii) Existence of costed sector strategies	B	D	↓	Deterioration. Sector strategies exist for Health and Transport and include expenditure estimates. Other sector strategy plans are out of date and/or not costed. 2012 PEFA indicates that Health and Education have costed sector strategies, which is a higher proportion of total spending.
(iv) Linkages between investment budgets and forward expenditure estimates	C	B	↑	Improvement. The major investment decisions are linked to the national and sector strategies and while the Budget estimate documents do not include forward estimates, the FPP contains multi-year forecasts of all investment projects which is greater than reported in the 2012 PEFA.
C (ii) Predictability and Control in Budget Execution				
PI-13 Transparency of taxpayer obligations and liabilities	B	A	↑	Scoring method M2 Improved performance. There has been an active tax modernization program in place that impacts on the Tax indicators.

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
(i) Clarity and comprehensiveness of tax liabilities	C	A	↑	Improvement. The tax modernization project has changed the tax landscape. Discretionary exemptions are minimized and all taxes are codified
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	↑	Improvement. Tax payer education has been enhanced further with the internet.
(iii) Existence and functioning of a tax appeal mechanism.	C	A	↑	Improvement. An independent Revenue Appeals division has been created and is operational
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	A	↑	Improved performance. Scoring Method M2
(i) Controls in the taxpayer registration system	B	A	↑	Improvement. The introduction of the online Revenue Administration Information System (RAiS) and linkages with database has further enhanced the system. Considerable work has been done on the tax database to make it as complete as practically possible.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C	A	↑	Improvement. Penalties are enforced with interest payment for non-compliance with has been a feature of the reform program.
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	A	↑	Improvement. Customs have installed ASYCUDA World with its compliance and audit selection modules. TAJ has developed risk based approached to audit and an audit plan is implemented with a focus on Large Tax payers.
PI-15 Effectiveness in collection of tax payments	D+	D+		Overall direction of change cannot be established. Scoring Method M1
(i) Collection ratio for gross tax arrears	D	D		Direction of change could not be established. Arrears averaged 46 percent of revenues over the past two years. There is now legislation that allows the write off of uncollectable debts.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	A	↑	Improvement. Transfers are done on a daily basis. The 2012 PEFA downgraded the score as tax arrears payments are withheld, but transfers due are made daily.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records,	D	A	↑	Improvement. Reconciliation of taxpayer payments and assessments and payments to Treasury are timely. The Revenue Modernization Project has impacted on this dimension.

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
and receipts by the Treasury				
PI-16 Predictability in the availability of funds for commitment of expenditures	D+	C+		Overall direction of change cannot be established. Scoring method M1
(i) Extent to which cash flows are forecasted and monitored	B	C		Direction of change cannot be established. Cash flow forecasts are prepared annually and updated monthly but do not adequately reflect cash needed by MDAs for paying on procurement contracts. Possible deterioration in the realism of cash requirements submitted by MDAs.
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	C	C	→	No change. Budget entities are provided reliable commitment ceilings for only one month at a time, though various mitigating strategies may allow them in practice to commit for a longer period.
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	D	B	→	No change apparent. Significant adjustments to budget allocations took place twice during FY2015/16. While this regularized many earlier virements and reflect adjustments caused by monthly cash management decisions, reallocations are considered to be fairly transparent. Different interpretation of how administrative virements should be incorporated in scoring.
PI-17 Recording and management of cash balances, debt and guarantees	C	NR		Overall direction of change cannot be established. Scoring method M2
(i) Quality of debt data recording and reporting.	C	B	↑	Improvement. Domestic and foreign debt records are complete and updated on a monthly basis with data reconciled regularly and considered of high quality. A comprehensive management report is issued and published annually. Monthly statistical reports on stock of debt are published on the MOFPS/DMB website. Improvement in capturing debt of government public bodies such as PetroCaribe. Note: guarantees not included as in the corresponding PI-13.1 of PEFA 2016.
(ii) Extent of consolidation of the government's cash balances.	C	NR		Direction of change cannot be established due to lack of data for 2016.
(iii) Systems for contracting loans and issuance of guarantees.	B	A	↑	Improvement. Contracting of loans and issue of guarantees are made against transparent criteria and

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
				fiscal targets for the medium term as now established in the fiscal responsibility framework and the PDMA.
PI-18 Effectiveness of payroll controls	D+	D+	→	No significant change in performance. Scoring method M1
(i) Degree of integration and reconciliation between personnel records and payroll data.	D	B	→	No significant change identified. Staff and payroll management is highly deconcentrated. The establishment list covers only about 1/3 of all positions. Most of the transfer of information between establishment list, other post establishment controls, appointments with salary and benefit determination, payroll preparation and actual payments are done manually and where electronic systems are used they are not directly linked. Payroll data is routinely checked against the previous month. The 2012 assessment appears to have included control of the approved staff establishment in its rating, which was not required.
(ii) Timeliness of changes to personnel records and the payroll.	B	B	→	No change. Retroactive adjustments happen occasionally, particularly as regards allowances and other benefits, but they are not considered a significant issue.
(iii) Internal controls of changes to personnel records and the payroll.	C	D	→	No change apparent. Authority and basis for changes to personnel records and payroll are clear, but systems breaches of control measures are regularly identified by audits and audit trails are often missing. 2012 assessment may have made a different interpretation of similar systems or had access to less comprehensive audit data.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	C	C	→	No significant change identified. Payroll audits are undertaken periodically in all government entities through a complex system involving several different types and different audit institutions. Indications are that many but not all entities have been subject to such audits within the last three years.
PI-19 Competition, value for money and controls in procurement	C	C	→	Overall performance has not changed significantly Scoring method M2
(i) Evidence on the use of open competition for awards of contracts that exceed the nationally established monetary	C	C	→	No change. The legislative framework as it was in effect during FY2015/16 has not changed since the previous PEFA assessment in 2012.

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
threshold or small contracts (percentage of the number of contract awards that are above the threshold).				
(ii) Extent of justification for use of less competitive procurement methods.	D	D	→	No apparent change. Reliable data is not available. The latest data is available in the OCG report for 2013 published April 2015. It shows that out of the procurement operations that should receive prior approval from NCC for use less competitive methods, 55 procurement transactions obtained such approval whilst 76 did not. The value of those contracts is not disclosed.
(iii) Public access to complete, reliable, and timely procurement information	B	C	↓	Performance has declined due to lack of timely publication of complaints resolutions. <ul style="list-style-type: none"> • Procurement plans not published. • Bidding opportunities are published. • Contract awards are published. • Resolution of procurement complaints are published, but only insofar as concerns the OCG's reviews and not in a timely fashion.
(iv) Existence and operation of a procurement complaints mechanism.	C	B	↑	Improvement. An independent complaints mechanism exists (PAB and OCG), but it cannot suspend a procurement process and its resolution recommendations are not binding. No fees are charged and the time frame for the complaints process is clear and respected. Clarity of procedures improved through the 2014 Handbook.
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	C+	↑	Overall performance improved. Scoring Method M1
(i) Effectiveness of expenditure commitment controls	D	C	↑	Improved. The warrant system is now linked with cash availability. Commitment control is lacking for regular purchases (rent/utilities) and purchase orders where time lag exceed warrant coverage.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures.	B	A	↑	Improved. Internal control efforts continue and are tested through internal and external audit. Several manuals discussing procedures and controls have been recently implemented and distributed by the Accountant General, Asset recording is underway and will improve control procedures.
(iii) Degree of compliance with rules for processing and recording transactions	C	A	↑	Improved processes are contributing to compliance. Compliance testing by internal audit has improved

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
				with risks assessments for internal audit planning. Follow-up by PAI can identify system problem areas to be addressed. Treasury IT procedures are also used to improve compliance.
PI-21 Effectiveness of internal audit	C+	B+	↑	Overall performance improved. Scoring Method M2
(i) Coverage and quality of the internal audit function.	C	B	↑	Improved. Internal audit units exist throughout central government and audit plans, prepared with newly implemented risk assessments includes audit universe details, which are reviewed by IAD and PAI. Quality Assurance reviews are improved and occur every three years. Pre-audit functions average 30-100% (systemic issues at least 50%). Internal audit activities, including pre-audit work, identify weaknesses in the procedures and internal control structures that enable process improvements. Thus, they substantially meet IIA professional standards.
(ii) Frequency and distribution of reports	A	A	→	No change. Quarterly reports, which include updates on audits in process, completed audits reports, and related activities are prepared and distributed. They are provided to entity audited, MOFPS, and available by request of AuGD.
(iii) Extent of management response to internal audit findings.	D	B	↑	Improved. Management responses are indicated in the final report in most reports. Most recommendations are implemented. In addition, PAI reviews reports and, if unsatisfied with responses or implementation, performs additional audit work. PAI reports to PAAC.
C (iii) Accounting, Recording and Reporting				
PI-22 Timeliness and regularity of accounts reconciliation	C	NR		Overall performance change cannot be established. Scoring Method M2
(i) Regularity of bank reconciliation	C	NR		Insufficient information to score. Change since 2012 cannot be determined. Without the determination of the accounts and their balances, the ability to verify reconciliations for all active central government bank accounts is hindered
(ii) Regularity and clearance of suspense accounts and advances	C	B	↑	Improved. Reconciliation and clearance of suspense accounts is now on-going. There is a minimal that is being carried forward from the past. Advance accounts are cleared regularly and monitored

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
				through monthly reporting and internal audit functions.
PI-23 Availability of information on resources received by service delivery units	D	D	→	There is no information on resources received by service delivery units as in 2012.
PI-24 Quality and timeliness of in-year budget reports	C+	D+		Overall direction of change cannot be established. Scoring method M1
(i) Scope of reports in terms of coverage and compatibility with budget estimates.	C	B	↑	Improvement. Uncommitted warrant and appropriations balances are now included. In-year budget execution (flash) reports are prepared by all MDAs and submitted to various MOFPS departments/divisions. They cover revenue and expenditure broken down by all elements of the budget classification and directly compare actuals to budget appropriations. The reports cover warrants issued, actual payments as well as uncommitted balances of warrants and appropriations. As expenditure made from transfers to deconcentrated units may not be completely included, comparison to budget may be possible only with some aggregation.
(ii) Timeliness of the issue of reports	C	D	↓	Apparent deterioration in performance. Reports on recurrent items as submitted by MDAs are prepared monthly in principle, but compliance is variable and substantial delays occur. For capital budget the submission is half-yearly. The 2012 assessment states that capital expenditure was included in monthly reports together with recurrent.
(iii) Quality of information	B	C	→	No apparent change. There are some concerns regarding data accuracy and the discrepancies are not highlighted in the reports. Nevertheless, the reports are considered useful for monitoring budget execution. Difference in 2012 rating may be related to judgment of materiality of data inaccuracy, and the extent to which quality issues are highlighted.
PI-25 Quality and timeliness of annual financial statements	D+	D+	↓	Overall deterioration in performance. Scoring Method M1
(i) Completeness of the financial statements	D	D	→	No change. A consolidated financial statement is not prepared at this time.

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
(ii) Timeliness of submissions of the financial statements	C	D	↓	Deteriorated. Statements are submitted within 15 months of year end previously but delays are now longer.
(iii) Accounting standards used	C	C	→	No change. Statements are prepared in a consistent format over time with some disclosure of accounting standards.
C (iv) External Scrutiny and Audit				
PI-26 Scope, nature and follow-up of external audit	C+	B+	↑	Overall performance improvement Scoring Method M1
(i) Scope/nature of audit performed (including adherence to auditing standards)	A	A	→	No change apparent. Auditing standards are INTOSAI. However not all entities are covered as the financial statement are incomplete. The report covers 95 per cent of submitted statements
(ii) Timeliness of submission of audit reports to the Legislature	C	B	→	No change identified. The audit report is submitted within 8 months of the receipt of the financial statements. It is likely that this was the same during the previous assessment.
(iii) Evidence of follow up on audit recommendations	C	A	↑	Improved. Follow up is extensive and timely with strong linkages to the PAC. In 2012 the systematic follow up that exists in 2016 was not present.
PI-27 Legislative scrutiny of the annual budget law	D+	C+	↑	Overall performance improvement. Scoring method M1
(i) Scope of the legislature scrutiny	A	B	→	No change apparent. The legislature scrutinizes the details of expenditure and revenue for the upcoming year. A Fiscal Policy Paper (FPP) providing: a Fiscal Responsibility Statement; a Macroeconomic Framework; and a Fiscal Management Strategy is also tabled in both Houses along with the Estimates. This FPP is subject to review by the Auditor General whose report is tabled at Parliament.
(ii) Extent to which the legislature's procedures are well established and respected.	A	B	→	No change. The situation has not altered. The 2012 score may have been higher than the scoring methodology warrants. There are no specialist review committees – only the Standing Finance Committee which is a committee of the whole house.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on	D	C	↑	While the time taken for the budget debate is short (around 2 weeks), the introduction of the Fiscal Policy Paper and its presentation to Parliament prior to the budget debate, its scrutiny by the PAAC including evidence has added to the time frame.

	2012	2016	Change	Description of requirements met and progress between 2012 and 2016 using 2011 PEFA methodology updated in 2011
macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)				
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	B	↑	Improvement. The rules for virement have been tightened although there is still no fiscal limit. Transfers between headings have been considerable limited. Performance has improved even if the score has remained unaltered.
PI-28 Legislative scrutiny of external audit reports	C+	B+	↑	Overall performance improvement Scoring method M1
(i) Timeliness of examination of audit reports by the legislature	C	C	→	No change apparent. Reports are examined in the PAC within 12 and a consolidated report is presented to the House. Evidence supplied in the 2012 assessment is inconclusive.
(ii) Extent of hearing on key findings undertaken by the legislature	A	A	→	No change. Hearing are conducted in public
(iii) Issuance of recommended actions by the legislature and implementation by the executive	C	A	↑	Improved. Recommendations are issued by the PAC and follow up is carried out in conjunction with the AuGD. The 2012 noted that follow up was weak

ANNEX 2 SUMMARY OF FINDINGS ON THE INTERNAL CONTROL FRAMEWORK

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	Management is diligent in reinforcing the salary budget. There is a commitment to comply with internal controls and establishing systems for review. Increasing use of IAU and PIA support the management philosophy for integrity.
1.2. Commitment to competence	Management and staff are committed to complying with good practices and control measures. This is reflected in the rapid and complete responses on internal audit findings and other reviews.
1.3. The "tone at the top" (i.e. management's philosophy and operating style)	Management is progressive in pursuing reforms, including the implementation of activities that improve financial operations and the control and management of public finances. This is shown in the PFM action plan and the number of activities either completed or in implementation stages.
1.4. Organizational structure	The Ministry of Finance, overseen by the FS, and the Accountant General, are the lead organization in government for establishing the internal control framework. Individual PS's of MDAs (accountable officers) have overall responsibility for maintaining the system of internal controls in each MDA. IA and External Auditor provide proper checks. A system of checks and balances, including segregation of duties exists within government and is further supported by the AuGD and PAC/PAAC.
1.5. Human resource policies and practices	There is control over the size and structure of the civil service "establishment". A control system for hiring and promotion against improved budget works well. Controls is vested in Post Operations Committee for new or vacant positions. Transfer of information is done manually or through electronic systems not directly linked. AGD prepares the payroll, improving controls. New systems, including e-Census and HCMES are improving practices.
2. Risk assessment	
2.1 Risk identification	

2.2 Risk assessment (significance and likelihood)	A risk-based approach is utilized within government. The fiscal responsibility framework requires the FPP to identify a broad assessment of the risks to the fiscal operations, including those associated with the price of oil and other key natural resources, external and domestic demand, domestic inflation, external and domestic interest rates, natural disasters, contingent liabilities, and guarantees with respect to fiscal policy measures. Internal audit does annual risk assessments are part of the audit planning processes.
2.3 Risk evaluation	
2.4 Risk appetite assessment	
2.5 Responses to risk (transfer, tolerance, treatment or termination)	
3. Control activities	
3.1 Authorization and approval procedures;	Authorizing and approving roles are defined in regulations. The regulations require proper segregation of duties. Discussions with management and division reflect appropriate segregated of duties for authorization and approval.
3.2 Segregation of duties (authorizing, processing, recording, reviewing);	The segregation of duties is implemented in the various PFM systems via user IDs, and defined classes of users based on specific duties. These are also included in audit testing.
3.3 Controls over access to resources and records;	All IT systems have strong password-based access controls and responsibility assignments, based on position classification. Controls over records are based on division implementation.
3.4 Verifications	Verification of revenues and expenditures is an on-going activity for the staff of internal audit.
3.5 Reconciliations	Reconciliations are required to be completed monthly. Follow up on late reconciliations continues. Treasury compliance has been noted and work is on-going for others.
3.6 Reviews of operating performance	Performance targets are being defined in the Corporate plans but there is currently no consistent reporting of performance outcomes.
3.7 Reviews of operations, processes and activities;	Business processes, operations, and activities are included within the scope of internal and external audit activities. Both entities also perform performance audits.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	The structural organization of the Government provides the controls for employee supervision and training.
4. Information and communication	Management establishes forums and other types of meetings for

	communications with donors, civil society, and other interested parties. Staff are also updated through emails and staff meetings. In addition, government distributed a CD with song on economic reforms in Jamaica.
5. Monitoring	
5.1 Ongoing monitoring	Ongoing monitoring and evaluation of business operations occur through internal and external audit. Performance audits are conducted by both entities and results are provided to PAC and/or PAAC.
5.2 Evaluations	
5.3 Management responses	Management responses to internal audits are documented within quarterly report while responses to formal internal audit reports are contained in appropriate activity files. Response to external audit is further enhanced by the involvement of the PAAC.

ANNEX 3A DATA FOR PI-1 TO PI-3**Data for PI-2.1**

J\$ bill	2013/14		2014/15		2015/16	
	budget	actual	budget	actual	budget	actual
administrative or functional head						
Ministry of Education, Youth and Information	78.4	85.7	80.4	83.8	81.3	87.7
Ministry of Health	32.8	36.9	35.9	41.3	49.0	52.5
Police Department	27.5	29.6	28.6	30.3	29.7	32.8
Pensions	25.4	23.6	25.1	25.1	26.8	26.8
Ministry of Transport, Works and Housing	17.5	14.3	16.5	14.6	11.4	10.8
Ministry of National Security	15.8	16.5	16.6	16.5	16.8	17.5
Ministry of Finance and Public Service	15.6	14.1	13.4	16.7	18.2	21.8
Ministry of Local Government and Community Development	7.6	7.9	9.1	10.1	9.8	11.3
Ministry of Labour and Social Security	7.1	7.1	7.8	8.0	8.2	8.3
Ministry of Agriculture and Fisheries	6.1	6.0	6.0	6.8	7.7	8.2
Department of Correctional Services	4.6	4.9	4.9	5.4	5.3	6.5
Office of the Prime Minister	4.5	4.5	4.3	4.7	4.6	5.8
Tax Administration Jamaica	4.4	4.8	4.9	5.2	5.3	5.8
Ministry of Science, Energy and Technology	3.2	2.7	4.3	4.5	7.2	6.8
Ministry of Foreign Affairs and Foreign Trade	3.1	2.9	3.1	3.0	4.0	4.3
Ministry of Water, Land, Environment and Climate Change	2.3	2.1	1.4	4.5	1.6	1.4
Ministry of Youth and Culture	2.0	1.9	2.0	2.2		
Ministry of Industry, Investment and Commerce	1.8	1.8	1.8	1.9	2.1	2.1
Child Development Agency	1.8	1.8	1.8	1.9	2.0	1.9
Ministry of Tourism	1.6	1.5	1.5	1.6	2.0	2.1
21 (= sum of rest)	15.5	15.2	16.7	16.8	16.5	21.4
allocated expenditure	278.5	285.9	286.0	304.8	309.3	335.8
interests	119.6	109.9	132.7	124.5	131.6	125.7
contingency	17.1	0.0	20.6	0.0	21.3	0.0
total expenditure	415.2	395.9	439.3	429.4	462.3	461.4

Data for PI-2.2

J\$ bill	2013/14		2014/15		2015/16	
	budget	actual	budget	actual	budget	actual
Compensation of Employees	144.4	159.3	153.7	160.4	162.2	170.2
Travel Expenses and Subsistence	12.4	12.5	12.7	12.8	14.2	14.0
Rental of Property and Machinery	3.1	3.0	3.3	3.3	4.1	3.9
Utilities and Communication Services	7.3	8.4	7.5	8.7	9.0	9.1
Use of Goods and Services	21.8	18.5	13.7	20.5	35.8	47.0
Grants, Contributions & Subsidies	41.1	38.8	42.4	43.0	32.7	37.8
Retirement Benefits	26.5	24.8	26.5	26.0	27.9	28.0
Awards and Social Assistance	6.4	6.4	7.1	13.0	7.1	11.8
Fixed Assets (Capital Goods)	6.4	6.6	5.1	4.5	9.4	14.2
Land and Structures	9.1	7.7	13.0	11.2	7.1	1.3
Other	17.2	0.0	21.8	1.5	21.7	0.3
Interest	119.6	109.9	132.7	124.5	131.6	125.7
Total expenditure	415.2	395.9	439.3	429.4	463.0	463.3

Data for PI-3

Economic head	2013/14		2014/15		2015/16	
	budget	actual	budget	actual	budget	actual
	Income and profits					
Other companies	35.2	37.0	35.9	44.6	42.3	42.7
PAYE	62.8	66.0	67.8	64.1	72.0	71.3
Tax on dividend	1.7	2.7	1.5	1.8	1.0	1.8
Other individuals	4.2	5.1	4.2	4.7	4.5	5.2
Tax on interest	8.8	8.3	11.4	8.3	10.9	8.8
	Environmental Levy					
Environmental Levy	2.1	2.3	2.4	2.3	2.8	3.1
	Production and consumption					
MBT			0.7	1.2	0.6	0.8
SCT	12.3	12.8	10.1	12.8	14.0	13.3
Motor vehicle licenses	2.6	2.3	2.7	2.6	2.9	2.7
Other licenses	0.4	0.3	0.4	0.4	0.4	0.4
Betting, gaming and lottery	2.5	3.7	2.7	3.7	2.7	3.2
Accommodation Tax	1.7	1.3	2.0	1.8	2.1	2.2
Education tax	18.1	19.3	19.6	18.7	21.2	21.1
Telephone Call Tax	6.5	5.7	6.7	7.1	5.8	7.4
Contractors levy	1.0	1.4	1.0	1.1	1.0	1.0
GCT (Local)	61.3	59.6	64.0	71.0	72.7	70.6
Stamp Duty (Local)	8.9	10.7	10.7	9.7	10.0	10.1
	International Trade					
Custom Duty	25.6	28.9	26.6	28.5	29.5	30.8
Stamp Duty	1.9	1.8	1.9	2.1	2.0	2.2
Travel Tax	9.2	6.9	9.7	9.5	10.2	10.5
GCT (Imports)	51.2	53.9	58.5	60.1	65.8	66.1
SCT (Imports)	26.0	30.5	30.6	28.3	37.3	36.5
	Non Tax Revenue					
Non Tax Revenue	41.0	34.6	34.3	34.2	35.7	31.0
Bauxite Levy	1.0	1.5	0.0	0.0	2.1	4.8
Capital revenue	0.7	1.1	1.5	0.8	0.7	0.9
Grants	10.4	9.4	5.0	8.6	5.5	9.5
Total revenue	397.0	407.2	411.7	427.9	455.8	458.1

ANNEX 3B PEOPLE CONSULTED

People consulted	
Name	Department, Organization, Position
Miller, Donald	Ministry of Finance and Public Service, Executive Department, Head PFM Secretariat,
Bryan, Dustan	Ministry of Finance and Public Service, Strategic Public Sector Transformation Project, Project Director
Dillon, Richard	Ministry of Finance and Public Service, Internal Audit, Chief Internal Auditor
Martin, Robert	Ministry of Finance and Public Service, Director General
Moore, Dwight	Ministry of Finance and Public Service, Public Accountability Inspectorate, Inspector General
Murdock, Carlene	Ministry of Finance and Public Service, Accountant General Department, Accountant General
Smith, Christie-Kay	Ministry of Finance and Public Service, Accountant General Department Revenue Management, Director
Murray, Anette Collier	Ministry of Finance and Public Service, Internal Audit Unit, Audit Supervisor
McLeish, Dwight	Ministry of Finance and Public Service, Internal Audit Unit, Audit Supervisor
Boyd, Violet Davy	Ministry of Finance and Public Service, Internal Audit Unit, Auditor
McKenzie-Gordon, Camille	Ministry of Finance and Public Service, Public Accountability Inspectorate, Inspector
Hamilton, Suzette	Ministry of Finance and Public Service, Internal Audit Unit, IAU Auditor
Bogle-Barrant, Beverley	Ministry of Finance and Public Service, Public Accountability Inspectorate, Inspector
Wilson, Naburne	Ministry of Finance and Public Service, Accountant General Department Treasury, Director
Harrison, Rahja	Ministry of Finance and Public Service, Accountant General Department, Director of Salaries
Williams, Angela	Ministry of Finance and Public Service, Accountant General Department, Deputy Accountant General
Jacobson, Shurnlee	Jamaica Customs Agency
Anderson, Peta-Gay	Ministry of Finance and Public Service, Accountant General Department, Director Personal Loans
Wade-Gordon, Claudia	Ministry of Finance and Public Service, Accountant General Cash Management Unit, Director
Russel, Roger	Ministry of Finance and Public Service, Accountant General Internal Audit Department, Chief Internal Auditor
Savony, Pauline	Ministry of Finance and Public Service, Accountant General Internal Audit Department, Senior Internal Auditor
Thomas, Barrington	Ministry of Finance and Public Service, Accountant General Department, Policy and Procedure, Director
Mingoes, Suzette	Ministry of Finance and Public Service, Accountant General Department, Financial Accounts

People consulted	
Name	Department, Organization, Position
David – Crayle, Winsome	Ministry of Finance and Public Service, Accountant General Department, Information Technology Director
Anderson, Trevor	Ministry of Finance and Public Service, Economic Management Division Fiscal Policy Management, Director
Chang, Susan	Ministry of Finance and Public Service, Economic Management Division Fiscal Policy Management, Management Analyst
Jackson, Kerry-Ann	Ministry of Finance and Public Service, Public Expenditure Division, Senior Cash Management Analyst
Campbell, Carolyn	Ministry of Finance and Public Service, Public Expenditure Division, Unit Head
Morrison, Carlene	Ministry of Finance and Public Service, Public Expenditure Division, Senior Director
Jarrett, Lorris	Ministry of Finance and Public Service, Public Expenditure Division, Director Financial Services
Desouza, Eleth	Ministry of Finance and Public Service, Public Expenditure Division, Senior Director Cash Management Unit
Black, Dian	Ministry of Finance and Public Service, Economic Management Division, Debt Management Branch, Principal Director
Wallace, Janet	Ministry of Finance and Public Service, Debt Management Portfolio Management, Director
Richards, Frederick	Ministry of Finance and Public Service, Debt Management Portfolio Management, Portfolio Analyst
Smith, Dannele	Ministry of Finance and Public Service, Debt Management Portfolio Management, Acting Director of Shares and Securities
O'Connor, Carlene	Ministry of Finance and Public Service, Public Enterprise Division, Senior Director
Warmington, Veronica Bennett	Ministry of Finance and Public Service, Public Enterprise Division, Acting Deputy Financial Secretary
Mendez, Jacqueline	Ministry of Finance and Public Service, Office of the Services Commissions, Acting Chief Personnel Officer
Taylor, Lenworth	Ministry of Finance and Public Service, Public Enterprise Division, Technical Specialist
Lowe, Joy	Ministry of Finance and Public Service, Public Enterprise Division, Senior Financial Analyst
Tam, Merle	Ministry of Finance and Public Service, Office of the Services Commissions, Acting Senior Deputy Chief Personnel Officer
Brown, Robert	Ministry of Finance and Public Service, Office of the Services Commissions, Acting Financial Controller
Wiggan-Chambers, Patricia	Jamaica Customs Agency, Executive Services, Senior Director
O'Neil, Martin	Jamaica Customs Agency, Risk Management, Director
Kimesha, Gayle	Jamaica Customs Agency, Risk Management, Manager
Bella, Jessica	Jamaica Customs Agency, Human Resource Management, Internal Director
Goulbrain, Tameka	Jamaica Customs Agency, Internal Affairs, Director
McLean Annmarie	Jamaica Customs Agency, Planning and Budgeting, Director
Payne, Delroy	Jamaica Customs Agency, Internal Audit, Senior Auditor

People consulted	
Name	Department, Organization, Position
Chambers, Michelle	Jamaica Customs Agency, Internal Audit, Chief Internal Auditor
Berlam, Kate	Jamaica Customs Agency, Finance and Administration, Senior Director
Smalliye, Onesia	Jamaica Customs Agency, Revenue Accounts, Analyst
Edwards, Hazel	Jamaica Customs Agency, Legal Department, Senior Director
Shornalee, Jackson	Jamaica Customs Agency, Revenue Accounts, Director
Bryen, Michelle	Jamaica Customs Agency, Post Audit, Director
Gentles, McCallum, Audrey	Ministry of Education, Internal Audit, Chief Internal Auditor
Johnson, Vivienne	Ministry of Education, Youth and Information, Planning and Development Division
Banton, Sonia	Ministry of Education, Youth and Information, Planning and Development Division
Delnsey, Bernard	Ministry of Education, Youth and Information, Director of Compliance and Post Audit
Stair, Elizabeth	National Land Agency, Chief Executive Officer, and Commissioner of Lands
Hayden, Donovan	National Land Agency, Estate Management, Director
Baker, Peter	National Land Agency, Property Accounts, Manager
Williams, Everol	National Land Agency, Finance, Manager
Allen, Eric	National Land Agency, Land Valuations, Director/Commissioner
Walker, Michele	Ministry of Education, Internal Audit, Chief Internal Auditor
Kerr, Phillip	Ministry of Transport and Mining, Internal Audit, Chief Internal Auditor
Cheves, Jacqueline	Ministry of National Security, Internal Audit, Chief Internal Auditor
Cunningham, Janet	Ministry of National Security, Internal Audit, Senior Internal Auditor
Campbell, Suzette	Ministry of Finance and Public Service, Internal Audit Directorate, Director
Pitter, Tishawah	Ministry of Finance and Public Service, Internal Audit Directorate, Auditor
Miller, Michelle	Ministry of Finance and Public Service, Internal Audit Directorate, Auditor
Henriques, Julius	Ministry of Finance and Public Service, Internal Audit Directorate, Auditor
Maragh, Michael	Ministry of Health, Principal Finance Officer
Collister, Keith	Jamaica Chamber of Commerce, Director General
Jones, Wayne St.A.	Ministry of Finance and Public Service, Strategic Human Resource Management Division, Deputy Financial Secretary
King, Sherona	Ministry of Finance and Public Service, Strategic Human Resource Management Division, Senior Director Post Operation and Strategic Support
Weir, Elaine	Ministry of Finance and Public Service, Strategic Human Resource Management Division, Senior Director Pensions
Levermore, Douglas	Ministry of Finance and Public Service, Public Investment Management Secretariat
Edwards, Berome	Ministry of Finance and Public Service, Financial Systems and Procedures Unit, Director
Cummings, Annmarie	Ministry of Finance and Public Service, Financial Systems and Procedures Unit, Accrual Accounting, Director
DePass, Richard	Ministry of Transport and Mining, Principal Finance Officer
Douglas Beckford, Rosemarie	Parliament, Public Account Committee, Clerk
Maragh, Michael	Ministry of Health, Principal Finance Officer
Collister, Keith	Jamaica Chamber of Commerce, Director General

People consulted	
Name	Department, Organization, Position
Jones, Wayne St.A.	Ministry of Finance and Public Service, Strategic Human Resource Management Division, Deputy Financial Secretary
King, Sherona	Ministry of Finance and Public Service, Strategic Human Resource Management Division, Senior Director Post Operation and Strategic Support
Weir, Elaine	Ministry of Finance and Public Service, Strategic Human Resource Management Division, Senior Director Pensions
Levermore, Douglas	Ministry of Finance and Public Service, Public Investment Management Secretariat
Harrison, Dirk	Office of the Contractor General, Commission of Parliament, Contractor General
Barrett, Maurice	Office of the Contractor General, Senior Director Non-Construction Contracts, Operations and Special Projects.
Gordon-McFarlane, Anniesha	Ministry of Local Government and Community Development, Principal Finance Officer (Ag.)
Harvey, Delva	Ministry of Local Government and Community Development, Accountant
Tomlinson, Sharlene	Ministry of Local Government and Community Development, Financial Controller (Ag.)
Fyffe, Violet	Ministry of Local Government and Community Development, Director Parochial Revenue Fund (Ag.)
Maragh, Cecile	Ministry of Finance and Public Service, Procurement and Asset Policy Unit, Senior Director
Smith, Samoya	Ministry of Finance and Public Service, Procurement and Asset Policy Unit, Director of Compliance and Regulatory Monitoring
Nelson, Lackeisha	Ministry of Finance and Public Service, Procurement and Asset Policy Unit, Policy Analyst
Thomas, David	Ministry of Finance and Public Service, Procurement and Asset Policy Unit, Policy Analyst
Thompson, John M.	Ministry of Finance and Public Service, Procurement and Asset Policy Unit, Consultant eGP Project Manager
Powell, Ainsley	Tax Administration Jamaica, Commissioner General
Chamberlain-Clarke, Keita-Marie	Tax Appeal Division Acting Commissioner
Saurnders-Daley, Alkea	Auditor General Department, Senior Director Quality Assurance
Luelim, Gail	Auditor General Department, Deputy Auditor General
Monroe-Ellis, Pamela	Auditor General Department Auditor General
Philips, Kirk	Planning Institute of Jamaica, Deputy Director General
Cox, Janelle	Planning Institute of Jamaica, Chief Information Officer
Morris, Hyacinth	Planning Institute of Jamaica, Financial Manager

ANNEX 3C LIST OF DOCUMENTS/REPORTS CONSULTED

List of documents/reports consulted	
Indicator	Evidence
1. Aggregate expenditure out-turn	Public Expenditure (PEX) Division MOFPS <ul style="list-style-type: none"> • Non debt expenditure profile for Capital and Recurrent 2013/14 – 2015/16) • The economic classification – Capital and recurrent FPMU Economic Management Division MOFPS • Interest recurrent 2013/14 – 2015/16)
2. Expenditure composition out-turn	Public Expenditure (PEX) Division MOFPS <ul style="list-style-type: none"> • Non debt expenditure profile for Capital and Recurrent 2013/14 – 2015/16) • The economic classification – Capital and recurrent 2013/14 – 2015/16) FPMU Economic Management Division MOFPS <ul style="list-style-type: none"> • Interest recurrent 2013/14 – 2015/16)
3. Revenue out-turn	FPMU Economic Management Division MOFPS <ul style="list-style-type: none"> • Revenue 2013/14 – 2015/16
4. Budget classification	<ul style="list-style-type: none"> • 2016-17 Estimates of Revenues and Expenditures tabled in the House April 14, 2016 • The Government of Jamaica Chart of Accounts Manual September 28, 2015 • Meeting with PEX
5. Budget documentation	<ul style="list-style-type: none"> • MOFPS: Fiscal Policy Paper FY 2016/17 14th April 2016 • 2016-17 Estimates of Revenues and Expenditures tabled in the House April 14, 2016 • Budget Speech 2016/17 • Budget Call Circular for 2016 budget • Details of Revenue and Loan Receipts 2016/17 • Tax Expenditure Reports 2015 and 2016 • Meetings with FO for Education, Health, Transport & Mining • Meetings with PEX
6. Central government operations outside financial reports	<ul style="list-style-type: none"> • MOFPS/PED: Public Bodies Register 28th September 2016 • MOFPS/PED: Report on Monitoring submission of Annual Reports • MOFPS/PED: Report on Monitoring submission of Annual Reports for FY 2013-14 and FY 2014-15 of Self-Financing Public Bodies • Meetings with PED
7. Transfers to sub-national governments	<ul style="list-style-type: none"> • Parochial Rates and Finance Act, • Parish Councils Act, • Municipalities Act, • Local Government (Financing and Financial Management) Bill 2015, • 2015/16 Government Assistance Specific Grants • Meetings with Ministry of Local Governments
8. Performance information for service delivery	<ul style="list-style-type: none"> • Jamaican Public Bodies Estimates of Revenue and Expenditures for the Year Ending March 2017, • Public Bodies Management Act, 2012, • Financial Administration and Audit Act, 2014

List of documents/reports consulted	
Indicator	Evidence
	<ul style="list-style-type: none"> • Strategic Business Plans for the Ministries of Agriculture, Justice, Health and Transport • Whole-of-Government Business Plan 2015-2018, Draft, Office of the Cabinet, August 2015. • Economic and Social Survey of Jamaica 2015, Overview, PIOJ. • AuGD website audit reports on evaluations and performance
9. Public access to fiscal information	<ul style="list-style-type: none"> • Website of the Parliament • AuGD website on audit reports • Ministry of Finance website on budget documentation and fiscal forecasts • Ministry of Finance website on budget execution • MOFPS: Fiscal Policy Paper FY 2016/17 14th April 2016 • 2016-17 Estimates of Revenues and Expenditures tabled in the House April 14, 2016 • Budget Speech 2016/17 • Budget Call Circular for 2016 budget • Details of Revenue and Loan Receipts 2016/17 • Tax Expenditure Reports 2015 and 2016 • AuGD annual report 2015
10. Fiscal risk reporting	<ul style="list-style-type: none"> • PBMA Act 2003, and Amendment Act 2015. • MOFPS/PED: Public Bodies Register 28th September 2016 • MOFPS/PED: Report on Monitoring submission of Annual Reports for FY 2013-14 and FY 2014-15 of Self-Financing Public Bodies • MOFPS/PED: Preliminary list of commercial Public Bodies • MOFPS: Jamaica Public Bodies, Estimates of Revenue and Expenditure for the Year Ending March 2017. As approved by the House of Representatives, May 2016 • MOFPS: Fiscal Policy Paper FY 2016/17 14th April 2016 • Websites of large Public Bodies. • Parish Councils Act 1901 as amended 2003 • Municipalities Act 2007 • Loans (Local Authorities) Act 1958 • Meetings with PED, PFM Unit, MOLGCD
11. Public investment management	<ul style="list-style-type: none"> • Financial Administration and Accountability Act 1959 as Amended 2011. • Financial Administration and Audit Act, 2014 • MOFPS Public Investment Management draft guidelines • FMOPS: Fiscal Policy Paper FY 2016/17 14th April 2016 • FMOPS: Fiscal Policy Paper FY 2015/16 19th February 2016 • Estimates of Revenues and Expenditures, 2015-16, 2016-17
12. Public asset management	<ul style="list-style-type: none"> • Financial Administration and Accountability Act 1959 as Amended 2011. • MOFPS Securities and Shares as of March 31, 2016 • Policy Framework and Procedures Manual for the Divestment of Government Owned Lands 2015 • MOFPS Estimates of Revenues and Expenditures for the Year Ended March 31, 2017 (Public bodies) • MOFPS Financial Statements and Revenue Estimates 2015/16

List of documents/reports consulted	
Indicator	Evidence
13. Debt management	<ul style="list-style-type: none"> • Public Debt Management Act 2012 • Medium Term Debt Management strategy 2016/17-2018/19 • Public Debt Annual Report FY2015/16, MOFPS 12th May 2016. • Fiscal Agency Agreement MOFPS/BOJ of 26th March 2015 • Monthly reports on debt stock downloaded from MOFPS/DMB website. • Meetings with DMB
14. Macroeconomic and fiscal forecasting	<ul style="list-style-type: none"> • Fiscal Policy Paper 2013/14; 2014/15; 2015/16; 2016/17 • Budget Speech • Financial Administration and Accountability Act 1959 as Amended 2011. • Financial Administration and Audit Act, 2014
15. Fiscal strategy	<ul style="list-style-type: none"> • Fiscal Policy Paper 2013/14; 2014/15; 2015/16; 2016/17 • Financial Administration and Accountability Act 1959 as Amended 2011. • Financial Administration and Audit Act, 2014
16. Medium term perspective in expenditure budgeting	<ul style="list-style-type: none"> • Estimates of Revenues and Expenditures 2013/14, 2014/15, 2015/16, 2016/17, • Financial Administration and Audit Act and Regulations; • Fiscal Policy Paper April 2016 • Strategic/Corporate Plans for Health, Education and Transport • Meetings with PEX
17. Budget preparation process	<ul style="list-style-type: none"> • Financial Administration Act 2014 Section 48 • Budget Calendar • Budget Call • Meetings with Ministry Finance Officers, PEX
18. Legislative scrutiny of budgets	<ul style="list-style-type: none"> • Appropriation Acts • Standing Order of the House of Assembly and Senate • Budget Speeches • Meeting PAAC • Finance (Administration) Act • Virement Circular • Data on Virement from PeX Division
19. Revenue administration	<ul style="list-style-type: none"> • Tax laws, regulations and leaflets • TAJ and JCA websites • Meetings with TAJ and JCA • Meeting with Revenue Appeals Division • Meeting with Jamaica Chamber of Commerce Tax and Economic Committee • Information supplied on appeals, penalties, compliance audits and additional revenue, arrears by TAJ and JCA
20. Accounting for revenue	<ul style="list-style-type: none"> • Meetings TAJ and JCA • GoJ programme monitoring report January 2016 • Meetings FPMU Economic Management Division MOFPS • Meetings Revenue Management Accountant General's Department
21. Predictability of in-year resource allocation	<ul style="list-style-type: none"> • Financial Administration and Accountability Act 1959 as Amended 2011.

List of documents/reports consulted	
Indicator	Evidence
	<ul style="list-style-type: none"> • MOFPS Circular No. 26, 2016 on Revised Procedures for Opening and Closing of Official Bank Accounts. • 1st Supplementary Budget for 2015-16, submitted to Parliament 19th January 2016. • Meetings with AGD, PEX, PFM Unit, MOH, MOEYI
22. Expenditure arrears	<ul style="list-style-type: none"> • MOFPS: Fiscal Policy Paper FY 2016/17, 14th April 2016 • IMF: Article IV Report June 2016 • Meetings with PEX, Chamber of Commerce, MNS/IA, MOEYI
23. Payroll controls	<ul style="list-style-type: none"> • Civil Service Establishment Act 1976 • Civil Service Establishment (General) Order 2015, Government Gazette 27th November 2015. • 2nd Report on the Payroll Audit of the Ministry of Finance and Planning and its Entities, Internal Audit Directorate (IAD), Public Expenditure and Policy Coordination Division, March 31, 2015 • Ministry of Finance 3rd Quarter Internal Audit Report Financial Year 2013-2014. • Report of the PAC on its examination of ministries/ departments/ agencies during the period March 2014 to February 2015 • Office of the Services Commissions, Audit Plan for the Period April 1, 2016 To March 31, 2017 • Office of the Services Commissions, standard audit engagement schedule and documentary evidence requirements • Internal Audit Plans & Reports listed under PI-26 • Meetings with AGD, OSC, SHRMD, MOH, MOEYI, MNS/IA
24. Procurement management	<ul style="list-style-type: none"> • Contactor General Act 1986 • Public Sector Procurement Regulations, 2008 • OCG's 27th Annual Report (for the year 2013), submitted to Parliament April 27 2015. • Handbook of Public Sector Procurement Procedures, Ministry of Finance & Planning Updated March 2014 • QCA Database 2016-09-19 • MOFPS Circular No, 1, 2016 Re: Implementation of the Government of Jamaica Electronic Procurement (eGP) System. • MOFPS Internal Audit Service 4th Quarter Report 2015/16 • Public Procurement Act 2015 • Meetings with PAPU, OCG, MOH, MOEYI, MNS/IA, PIM Secretariat
25. Internal controls on non-salary expenditure	<ul style="list-style-type: none"> • Interviews with information system staff, Accountant General • Circulars on Intergovernmental Revenues, Lodgement of Public Funds Collected by Ministries and Departments, Transfer of Banking Functions, Advances, Loans, and Warrant Processes • Internal Audit Plans & Reports listed under PI-26 • Meetings with Internal auditors and Finance Officers
26. Internal audit	<ul style="list-style-type: none"> • MOFPS Internal Audit Directorate Audit Plan Review Analysis • Internal Audit Risk Assessments and Audit Plans 2016/17 for Ministry of Education, Ministry of Health, Ministry of Local Government, Ministry of Finance and Public Service, Ministry of National Security, Ministry of Science, Energy and Technology, Ministry of Transport and Mining

List of documents/reports consulted	
Indicator	Evidence
	<ul style="list-style-type: none"> • Internal Audit Quarterly reports, including audit reports issued with management responses for Ministry of Finance and Treasury 2015/16 and 2016/17; • Internal Audit for Ministry of Transport and Works Management Meeting reports of IAU performance June – Oct 2016; 2015/16 and 2016/17 audit plans; Miscellaneous audit reports, activity reports; 2014 Quality Assurance review • Government Wide Payroll audit report, issued June 22, 2015 • Ministry of Health audit plans and work completed for 2015/16 and 2016/17 • Ministry of National Security audit plans, work paper files, and report summaries for 2015/16 and 2016/17 • PAC reports and Auditor General summary reports
27. Financial data integrity	<ul style="list-style-type: none"> • Ministry of Finance Treasury bank reconciliations, • Monthly certified expenditure reports that include bank reconciliations and advance reconciliations for Ministry of Foreign Trade, Local Government, Correctional Services, Tourism, Foreign Affairs, • Schedule of monthly report status • Ministry of Finance Treasury reports • Audit reports from internal and external sources, as noted in PI 26 and 30 • Interviews with Treasury staff
28. In-year budget reports	<ul style="list-style-type: none"> • Ministry of National Security, FS6 - Statement of Expenditure by Objects for April 2016 • Meetings with PEX, PFM Unit, AGD
29. Annual financial reports	<ul style="list-style-type: none"> • Annual financial reports for Ministry of Foreign Affairs and Foreign Trades; Local government and Community Development; Tourism, and Ministry of Finance • Schedule of monthly report status • Schedule of financials received by AuG • Meetings with AGD, PEX, PFM Unit, FSPU, Treasury staff, Ministry Finance Officers and Internal Audit units
30. External audit	<ul style="list-style-type: none"> • Reports on the financial transactions and financial statements of the Government of Jamaica for the financial years ending 31 March 2015, 2014 and 2013 • AuGD website • AuGD annual business plan • Internal papers from External Audit Department • Meeting with External Audit Department
31. Legislative scrutiny of audit reports	<ul style="list-style-type: none"> • Standing Order of the House of Assembly • Meeting with Public Accounts Committee Clerk • Reports of PAC on its examination of MDAs for 2012-2015 • AuGD briefing papers for PAC

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 Report on the financial transactions and financial statements of the Government of Jamaica for the financial year ending 31 March 2015, 2014 and 2013
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- Jamaica Information Service (JIS) & Jamaica Anti-Doping Commission (JADCO)
- Ministry of National Security
- Police Department Audit Inspection
- Accountant General's Department

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The Ministry of Health, Strategic Business Plan 2015-18
Ministry of Agriculture and Fisheries, Strategic Business Plan 2014-17
Ministry of Justice, Strategic Business plan 2011-14
The Ministry of Transport Corporate Plan
Budget Call Paper
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ANNEX 4 DISCLOSURE OF QUALITY ASSURANCE ARRANGEMENTS

Composition of the Oversight team	
Ministry of Finance, Jamaica	Everton McFarlane (Financial Secretary), Dunstan Bryan, Donald Miller
International Monetary Fund	Christopher Iles, Benoit Wiest, Gerardo Uno
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Inter-American Development Bank	Naveen Janiauth Umrao

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Review of Concept Note		
Reviewer	Date of reviewer comments	Date of CARTAC response
Government of Jamaica	September 23, 2016	September 26, 2016
PEFA Secretariat	September 26, 2016	September 29, 2016
World Bank response	September 28, 2016	September 28, 2016
Inter-American Development Bank	September 26, 2016	September 29, 2016
IMF	September 29, 2016	October 3, 2016
CARTAC final concept note issued		October 6, 2016

Concept note distributed 15 September, 2016

Review of PEFA Assessment Report		
Reviewer	Date of reviewer comments	Date of CARTAC response
Government of Jamaica	31 January 2017	1 March 2017
PEFA Secretariat	9 December 2016	1 March 2017
World Bank	22 December 2016	1 March 2017
Inter-American Development Bank	9 January 2017	1 March 2017
IMF	15 December 2016	1 March 2017
Draft Final Report issued		1 March 2017

ANNEX 5 PEFA CHECK

PEFA check



PEFA assessment report of Jamaica

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat,
March 9, 2017