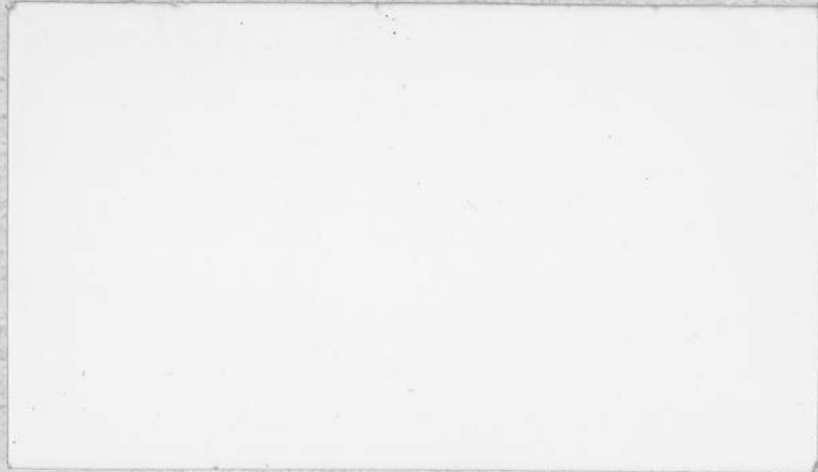


**REPORT**



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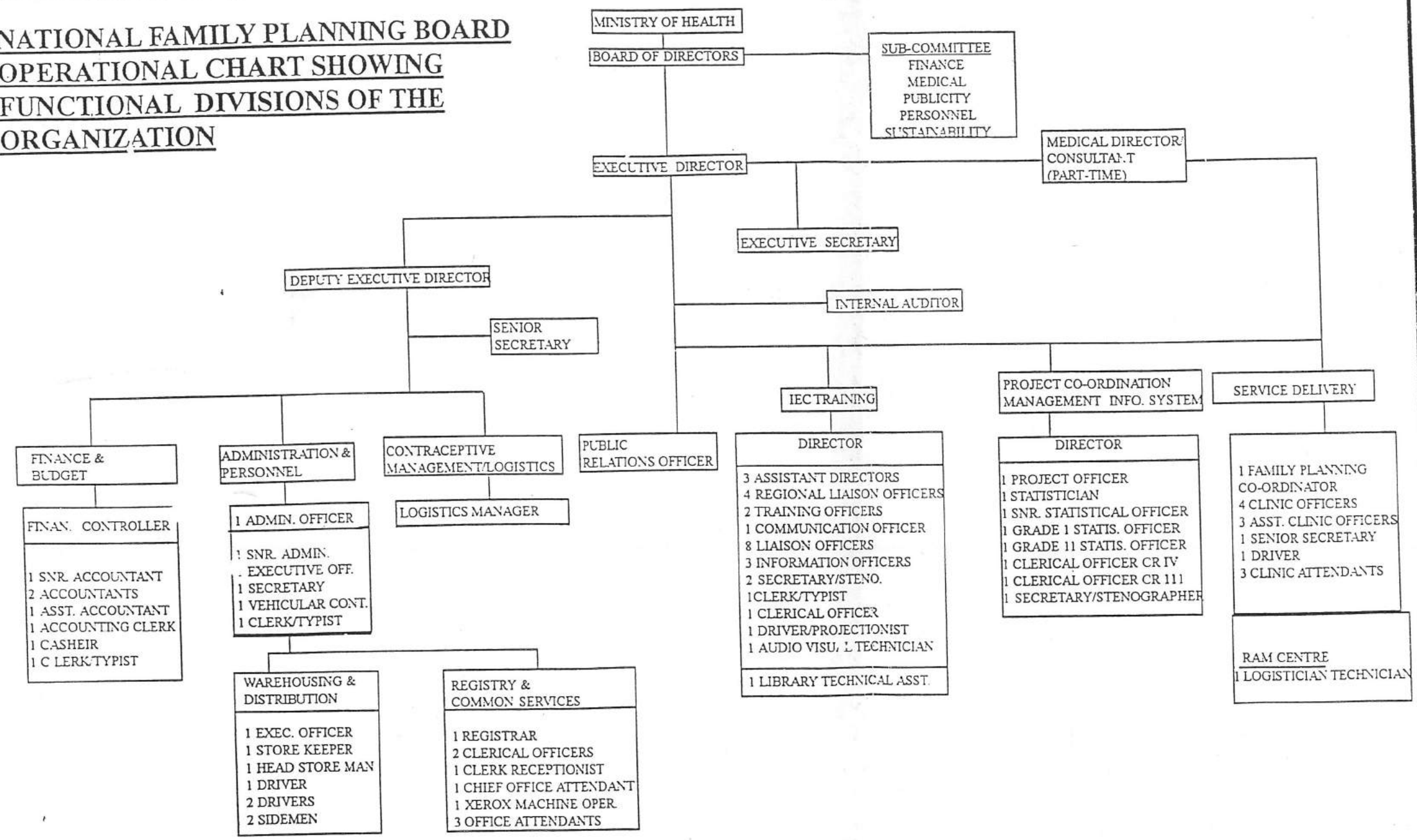
 **ERNST & YOUNG**

**The National Family Planning Board**

**Report on the Assessment of the Financial  
Management, Procurement and Contracting  
Capability of the National Family Planning Board**

362.178:336(729.2)

**NATIONAL FAMILY PLANNING BOARD  
OPERATIONAL CHART SHOWING  
FUNCTIONAL DIVISIONS OF THE  
ORGANIZATION**



**THE NATIONAL FAMILY PLANNING BOARD**  
**REPORT ON THE ASSESSMENT OF THE FINANCIAL**  
**MANAGEMENT, PROCUREMENT AND CONTRACTING CAPABILITY**  
**OF THE**  
**NATIONAL FAMILY PLANNING BOARD**

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16 April 1996

Mr Michael Hase  
The Controller  
United States Agency for  
International Development  
2 Haining Road  
Kingston 5

Dear Mr Hase:

**Re: Report on the Assessment of the Financial Management, Procurement and Contracting Capability of the National Family Planning Board.**

We refer to the captioned report and now submit a transmittal letter and summary as requested in section VII of the statement of work.

### **Background**

In July 1991 the United States Agency for International Development in Jamaica (USAID Jamaica) and the Government of Jamaica (GOJ) signed a Grant Agreement for the provision of grant funds to the National Family Planning Board (NFPB) for the implementation of the Family Planning Initiatives Project No. 532-0163. Project activities commenced in May 1992 and funds were disbursed subsequently.

In September 1991 a serious break down in the system of internal control at the NFPB was discovered, which forced USAID to withdraw financial management responsibility for the project from the NFPB and to vest it in the offices of USAID in Kingston under the supervision of a project officer.

After various attempts by both the USAID and the Board of the NFPB at strengthening the contracting capabilities and internal control systems of the NFPB, the USAID now wishes to assess the systems in place at the NFPB to determine whether to return the financial management responsibility to the NFPB.

To this end, Ernst & Young have been requested to carry out a new assessment of the financial management, contracting and procurement capability of the National Family Planning Board (NFPB).

Mr Michael Hase  
13 May 1996  
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### **Objectives and Scope of the Assessment**

The specific scope and objectives of the assessment were:

- To verify and ascertain the adequacy of the NFPB's accounting systems.
- To assess the financial management and administrative capabilities of the NFPB.
- To evaluate and determine the adequacy of policies and procedures currently in place at the NFPB by reviewing the system in place.
- To review the status and adequacy of implementation of previous recommendations.

The procedures and work performed were all in line with the stated objectives. In evaluating the accounting systems of the NFPB we reviewed the controls surrounding certain sub-systems such as payroll, disbursements, etc. Our review involved the testing of a sample of transactions to ascertain the degree of compliance with the documented system.

Our review of the financial management and administrative capabilities evaluated whether the NFPB has the capability to effectively manage the Family Planning Initiatives Project No 532-0163. In our review we considered among other factors the professional training and experience of key project and administrative as well as the organisation's structure and the Board's strategic plans.

A systems review was carried out which looked at the control needs of the NFPB as well as the USAID. These control needs were emphasised by our findings in our review of the sub-systems.

We also reviewed the extent to which previous recommendations have been implemented by a review of such reports and our observations of change in the operations of the NFPB as a result of these recommendations.

### **Summary of the Results of the Assessment**

Our review revealed areas where there have been considerable improvements and areas which the NFPB needs to address with some urgency; these have been outlined in the report. The internal control system is strong in some areas and requires improvements in others.

The NFPB has the appropriate organisational and human resource requirements to effectively and successfully implement the project. However, there is need for more effective supervision in all areas of the operations to ensure that all management targets are met.

Mr Michael Hase  
13 May 1996  
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Some of the previous assessment recommendations have been implemented, however, there are recommendations which still have not been addressed by the NFPB.

### **Management Comments**

The comments of the management of NFPB on the findings and results have been incorporated in this report. It is our view that the management of the NFPB are aware of the importance of the implementation of the recommendations included in this report and previous reports and have the ability to make the necessary changes.

Yours sincerely,  
**Ernst & Young**

E Hartley (Ms)  
**Manager**

EH:dc

## **1.0 INTRODUCTION AND SCOPE OF THE ASSIGNMENT**

Ernst & Young have been requested to carry out an assessment of the financial management, contracting and procurement capability of the National Family Planning Board (NFPB). This assessment is intended to achieve the following specific objectives:

- To verify and ascertain the adequacy of the NFPB's accounting systems.
- To assess the financial management and administrative capabilities of the NFPB.
- To evaluate and determine the adequacy of policies and procedures currently in place at the NFPB by reviewing the system in place.
- To review the status and adequacy of implementation of previous recommendations.



## **2.0 BACKGROUND AND HISTORY**

The United States Agency for International Development in Jamaica (USAID Jamaica) and the Government of Jamaica (GOJ) signed a Grant Agreement on 31 July, 1991 for the provision of grant funds to the National Family Planning Board (NFPB) for the implementation of the Family Planning Initiatives Project No. 532-0163. The project is expected to last for a period of seven years, in the first instance.

**2.1** The project is expected to achieve the following:

- maximise the quantity and quality of family planning services in Jamaica
- increase the effectiveness and self sufficiency of the Recipient, the NFPB, by providing institutional strengthening to the NFPB enabling it to assume full responsibility for population and family planning issues throughout Jamaica in the future.

**2.2** The initial Grant Agreement was signed on 31 July 1991, however, project activities did not commence until May 1992. A first tranche of US\$675,000 was provided and eight subsequent amendments at a total of US\$4,565,000. The total amount of grant funds identified as available to date now stands at US\$5,240,000.

**2.3** A serious break down in the system of internal control at the NFPB was discovered in September 1991, which forced USAID to withdraw financial management responsibility for the project from the NFPB and to vest it in the offices of USAID in Kingston, under the supervision of a project officer. In March 1992 the firm of Chartered Accountants, Coopers and Lybrand, Jamaica was contracted to carry out an assessment of the contracting capabilities and internal control systems of the NFPB. The assessment revealed a number of serious weaknesses, and recommendations were made accordingly, however this report was not formerly presented to Board.

**2.4** In an effort to implement some of these recommendations, the NFPB contracted the services of Pannell Kerr Forster (now Ernst & Young) Jamaica to set up an accounting system and prepare an accounting procedures manual, as well as to provide training for the staff in this area. The implementation of the recommendations resulting from the assessment by Coopers & Lybrand was, as far as we understand, never tracked or followed up by the USAID, and it is not known whether the weaknesses in the system were ever fully resolved. In addition, it is not known whether the implementation of the system as outlined in the manual prepared by Ernst & Young (formerly Pannell Kerr Forster [PKF]), was adequately effected by NFPB.

**2.5** Since 1992 the USAID has been carrying out most of the financial management, contracting and procurement functions under the Family Planning Initiatives Project (FPIP) for the NFPB. USAID now wishes to finally resolve the outstanding issues and return the financial management responsibility to the NFPB. However, due to the time that has elapsed since the last assessment, a decision has been made by USAID which was concurred by the NFPB to conduct a new assessment of the systems currently in place at the NFPB as it was felt to be more prudent. Such an assessment would include a review of the procedures manual mentioned above and an evaluation of the extent to which the recommendations from the previous assessment were implemented.

**2.6** The report has been compiled to address all the aspects laid out in the scope of work:

- Evaluation of the accounting systems
- Review of financial management and administrative capabilities
- Systems review
- Review of previous assessment recommendations

## **3.0 EVALUATION OF THE ACCOUNTING SYSTEMS**

### **3.01 Introduction**

This section of the assessment deals with the accounting systems for all the operations at NFPB. Because of the nature of the operations whereby these mainly involve the administration of funds from donor agencies in a manner to promote the overall policies and objectives of the NFPB and because of the recent history of the monitoring of those operations the areas identified for assessment are:

- Payroll
- Disbursements and Banking
- Fixed Assets
- Travel
- Procurement and contracting
- Encumbrance accounting
- Budgetary control and cash flow forecasting
- Financial reporting

### **3.02 Objective of tests**

The tests performed during the evaluation process of the accounting systems are designed to establish whether or not the internal controls within NFPB are adequate to:

- Prevent or detect fraud, pilferage, misuse or misappropriation of property at the earliest possible stage
- Produce meaningful and reliable reports on project related transactions which are used as the basis for reimbursing project expenditures.

### **3.10 Payroll**

### **3.11 Introduction**

The payroll covers approximately 60 persons and is prepared manually. Typically the preparation time is extensive due to the various salary structures and payment dates.

### **3.12 Objectives of the testing**

The tests performed on the payroll information were primarily designed to ensure that all persons on the payroll:

- i) Are employed to NFPB
- ii) Are remunerated in agreement with the contract of employment
- iii) Have suffered the correct deductions from their pay

In order to satisfy these objectives the following tests were performed:

- Examination of personnel files for relevant data such as letters of appointment and termination, notices of increments and leave statements.
- Review of statutory and other deductions to ascertain if these are correctly calculated and that there are timely remittances of these deductions to the appropriate agencies. Ensure that the employees give written authorisation for all deductions other than statutory deductions.
- Review of salary payments to ensure that payment is made only to authorised persons and is adequately supported by documentation.

### **3.13 Findings**

The following matters were identified during the tests as deficiencies:

- The personnel files did not always contain current information regarding emoluments of employees.

### **3.14 Solutions**

The discrepancies identified should be rectified as follows:

- The personnel files must be updated whenever adjustments are made to salaries.

### **3.20 Disbursements and Banking**

#### **3.21 Introduction**

NFPB maintains a number of bank accounts, most of which are identified with funding agencies. The agencies typically require regular project reports detailing the disbursements of funds.

#### **3.22 Objectives of the testing**

The tests on the disbursement of funds process were primarily designed to ensure that disbursements made were:

- i) Only for the liabilities of NFPB
- ii) For the correct amount
- iii) An appropriate expense of NFPB

The tests performed on the banking records were primarily designed to ensure that:

- i) project receipt and disbursement transactions were correctly recorded by the bank.

- ii) Information on the bank statement was in line with policies and procedures.
- iii) control procedures surrounding the banking transactions are in place.

In order to satisfy the objectives stated above the following tests were performed:

- Review of the expenditure to ensure that it represents valid expenses of NFPB and is supported by the relevant documentation e.g invoices, payment vouchers and purchase orders.
- Review of the payment vouchers to ensure that they are signed by a responsible official and, together with the invoice(s) stamped "paid" to indicate the settlement of the expenditure.
- Tracing of postings of the cash disbursements to the general ledger.
- Testing to ensure that the bank accounts are reconciled regularly and promptly after the month end and that the reconciliations are reviewed by a senior official.
- Testing to ensure that project advances are deposited promptly and intact and disbursements are approved at the appropriate level as determined by the written procedures or the management group.
- Testing to ensure that there is an up-to-date mandate lodged with the bank and that there is a properly maintained file of mandates previously issued.

### 3.23 Findings

During the performance of the tests the following deficiencies were identified:

- The general ledger is not being maintained up to date. The last postings were of transactions up to 31 August, 1995.
- The bank reconciliations for the Government of Jamaica (GOJ) account are not prepared on a timely basis. As at 21 February 1996, the latest reconciliation for the GOJ bank account was to 31 October, 1995. We understand that since 21 February 1996, an additional two months have been reconciled to 31 December 1995.
- The reconciliations of the bank accounts used for GOJ funds and donations are not always signed by a NFPB official to indicate that they have been checked.
- Twenty-five percent (25%) of the invoices included in the sample were not stamped "paid" to indicate settlement.
- Several persons prepare journal entries, however the entries are not always signed to indicate that they have been checked or certified by a supervisor before they are posted to the General Ledger.
- On two occasions cheques were not co-signed as required under the bank mandate. However, these cheques were honoured by the bank.
- Although a chart of accounts has been compiled and codings assigned, the general ledger accounts were not numbered in accordance with it viz. there is no account number in use, only the page number.

- There are instances when two cheque books were being used for the same account (GOJ) at the same time. Discussions with the management of the NFPB revealed that this situation arose to facilitate the timely preparation of the payroll. However, the continuation of this practice will reduce the probability of detecting irregularities.

### **3.24 Solutions**

The deficiencies identified in the system should be rectified as follows:

- Bank reconciliations must be prepared monthly within fifteen working days of the month end. A Senior Accounting Officer must review these reconciliations for accuracy and initial the work to evidence his approval.
- The general ledger should be posted on a monthly basis within the following month.
- Only one cheque book for each bank account should be used at any one time to reduce the risk of unauthorised issuances.
- All journal entries must be approved by the Finance Director to reduce the possibility of irregularities going undetected.
- The Internal Auditor should periodically review the recording of transactions and note any discrepancies in his monthly report.

### **Management Comments**

- The general ledger is currently posted up to November 1995
- Except for the bank reconciliation for the GOJ account, reconciliations for all other accounts are current. The GOJ account is currently reconciled up to January 1996 and is being updated.



- All reconciliations are currently signed by a senior accounting officer.
- Instances of invoices not stamped "paid" would be very rare and we would suggest that such instances cannot be recent.
- Recently, two cheque books have been used concurrently for the GOJ account. One is used exclusively for salary payments; the other includes all other payments. Special controls have been set up to monitor their use. Certain recommendations made by USAID and supported by Ernst & Young will be investigated for possible implementation.
- The setting up of a chart of accounts and the recording in the general ledger is a continuing process in implementing the accounting manual.

### **3.30 Fixed Assets**

#### **Introduction**

Fixed assets of the Board mainly comprises office equipment and motor vehicles. The assets are either purchased directly by the Board or donated by funding agencies.

### **3.31 Objectives of tests**

The tests performed were primarily designed to establish that:

- i) The fixed assets records accurately reflect the physical assets
- ii) All the assets owned by NFPB or in the custody of NFPB are correctly recorded and identified

The test performed included the following:

- Test to ensure that the fixed assets register is maintained as recommended.
- Inspecting the assets to verify that they are properly tagged for identification.

- Check acquisitions for approval at the appropriate level.
- Ensure that disposals of assets were approved at the appropriate level.
- Test to ensure that acquisitions from the funding agencies are properly approved and supported by agreements.
- Test the existence of the fixed assets recorded in the accounting records.

### **3.32 Findings**

The following circumstances were identified during the performance of the tests as discrepancies:

- The fixed assets register is incomplete.
- From a review of the fixed asset inventory, there was no indication that a periodic inspection or verification of the physical existence was done. From discussions with senior NFPB officials, we understand that a 100% inspection and verification was done for the first time in November 1995.
- The cost of several fixed assets eg. furniture, fixtures and equipment could not be identified with certainty, with the exception of the motor vehicles and real estate property.
- The analysis of the costs of motor vehicles as indicated in the fixed asset register supplied disagrees with the general ledger account balance as at 31 August 1995. The general ledger account balance is understated by \$3,753,644.38 when compared with the register.
- Details of acquisitions of fixed assets during the year of 1995 were not posted to the relevant general ledger accounts. NFPB indicated that it was the

practice of the Board to record capital transactions at the end of the year.

- Acquisitions were marked with a NFPB identification number. However, it was noted that two of the AID acquisitions included in the sample were not marked with AID markings or tagged.
- We were unable to verify the total cost of the fixed assets which are in the custody of the NFPB.

### **3.33 Solutions**

The manner in which NFPB is keeping its accounting records with regards to fixed assets is inappropriate. Various recommendations as to the maintenance of a register have been made in the past, and these should be fully implemented.

The deficiencies identified in the system of recording and controlling fixed assets should be rectified:

- A physical inventory of all the assets should be taken and documented annually. The records should be brought into line and kept up to date.
- Items for the various agencies should be clearly marked with their logo or tag.
- The balance as per general ledger should always agree with the fixed assets register.
- The fixed asset register should state the following for each item;
  - (a) NFPB'S unique identification tag number
  - (b) Dates of acquisition
  - (c) Description of the item (including serial #).
  - (d) Equipment type

- (e) Model number or brand type
- (f) Cost
- (g) Ownership
- (h) location

- The Internal Auditor should review the register periodically and report to the Board on its status.

### **Management Comments**

- We have been consistently updating the fixed assets register. However assignment of costs to the older equipment and furniture has not been completed.
- Checks and verifications of fixed assets are undertaken by the Administrative Department. As recently as November 1995 a complete and comprehensive inventory was undertaken of all assets for which the NFPB is responsible.
- The grant provided from the Government of Jamaica is from the recurrent budget. As such, it has been the practice of the Board to spend and report expenditure as expenses rather than as a capital item. Fixed assets are then capitalised at the end of the fiscal year.

## **3.40 Travel**

### **Introduction**

Most of the officers employed to the NFPB are required to travel on a regular basis. Accordingly there are several allowances to the employees for travel and subsistence. The overall budget for 1995/96 is approximately \$5 million.

## **3.41 Objectives of the tests**

The tests performed are designed to establish that:

- i) Only persons entitled to allowances are in receipt of them
- ii) All allowances are justified and supported by documentation

The tests performed on the procedures for paying/reimbursing travel expenses:

- Ensure that travel is approved before commencement.
- Ensure expenses are paid in accordance with established procedures.
- Examine the expense for unusual amounts.
- Ensure that travel is project/NFPB related.
- Ensure that each expense is supported by vouchers and invoices.
- Ensure that travel vouchers are reviewed and approved by appropriate persons.
- Trace expense to the general ledger.
- Check if actual expenditure for travel exceeds projected amount.

### **3.42 Findings**

The following matters were noted:

- A signing officer (the senior accountant) claimed for four months commuting allowance and certified the related payment voucher. The payment voucher, however, was approved by the Executive Director.

### **3.43 Comment**

No officer making a claim for personal payment(s) can be involved in reviewing, certifying or approving the respective payment voucher.

### **Management Comments**

The approval of commuted allowance for the Senior Accountant by the Executive Director occurred on only one occasion during the absence of the Financial Controller (who would normally certify the payment voucher) this will not recur.

### **3.50 Procurement and Contracting**

#### **Introduction**

The procurement and contracting procedures closely resemble those laid down by Government, particularly as far as the number of quotes to be examined and the method of advertising to the public.

### **3.51 Objective of the tests**

The tests were designed primarily to establish that:

- i) Procurement is made from and contracts are made with approved suppliers
- ii) Procedures for procurement and contracting are properly adhered to
- iii) Contracts have been properly drawn up and are adhered to

#### ***Procurement***

The tests performed in respect of procurement included the following:

- Check purchase orders for reference to invoices and requisitions.
- Check purchase orders for evidence of the receipt of goods.
- Ensure encumbrance check i.e. Checks to ensure that funds are available in respect of commitment made.

- Ensure discounts are taken when available.
- Ensure the liability is settled within the credit terms extended.

### ***Contracting***

The tests performed in respect of contracting included the following:

- Check if there was a tender or bid
- Check if there was a notice of award
- Test to ensure that the contractor's performance was monitored and evaluated by examining progress reports.
- Check criteria used by management to grant contracts.
- Test to ensure contractor's invoices are signed approved, reviewed and certified by appropriate personnel.
- Check if the officers of NFPB were effective in ensuring that the contract completion date was adhered to.

### **3.52 Findings**

The following deficiencies in the systems were noted during the assessment:

- Purchase orders are not directly referenced to respective invoices.
- There is no formal system for encumbrance checking. However, the approval of purchase orders is given by the signing officers i.e. the Executive Director or the Deputy Executive Director, who, we understand, are aware of funds

available for disbursement because of their knowledge of the monthly bank status. This prevents the commitment of funds that are not available.

- The examination of the contracts register from January 1994 revealed a total of three (3) contracts. Two of these contracts were advertised, while the other was awarded by selective tender.
- The system of monitoring and evaluating contractor's performance involves written progress reports generated by contractors and on going correspondence with contractors. Contractors invoices were not always signed as approved, reviewed and certified, neither were they always stamped "paid".

### **3.53 Solutions**

The deficiencies in the system should be addressed by:

- Ensuring that all the procedures for procurement are adhered to.

### **3.60 Encumbrance Accounting**

#### **Introduction**

Encumbrance accounting would appear to be the terminology applied to accounting for future known commitments whereby a system is in place to enable access to the information on the availability of funds, thereby ensuring that cheques are only drawn when funds have been identified

### **3.61 Objective of the review**

The review was designed to establish the following:

- i) the existence and adequacy of a system of encumbrance accounting
- ii) whether an encumbrance ledger is maintained separately or as part of the general ledger.



### **3.62 Comments**

A review of the accounting system disclosed that there is no documented system of encumbrance accounting. However the Financial Controller disclosed that the approving of disbursements is done by signing officers who are aware of the monthly bank status.

If the policy of the Board is to insist on this process, a system must be installed to facilitate it.

### **3.70 BUDGETARY CONTROL AND CASH FLOW FORECASTING OBJECTIVES**

#### **Introduction**

Budgetary controls and cash flow forecasting are necessary tools for the NFPB to use in facilitating the process of the planning and controlling of expenditure. The nature of the operations of the NFPB makes it important for the Board to insist on tight control and appropriate forecasting procedures which meet the requirements of the various funding agencies with which it relates.

#### **3.71 Objective of the review**

The review performed on the budgetary control and cash flow forecasting systems were primarily designed to determine the adequacy of such systems as a tool for expenditure planning and control.

#### **Comments**

NFPB budgetary control involves comparisons of actual to projected figures and the immediate follow up action being taken when necessary.

Cash flow forecasts are also prepared where necessary and comparison of actual results to projected results made.

### **3.80 FINANCIAL REPORTING OBJECTIVES**

#### **Introduction**

The financial reporting environment of the Board is predicated on the fact that the Board was set up by the Government as a statutory body and, therefore, adopted many of the reporting requirements for Government Ministries, in particular, the Board adopted the cash accounting system. The accounting system that was set up in 1992/93 sought to facilitate the production of Government type reports, the reports required by the funding agencies and the financial statements required both for internal use by the Board and for presentation for an annual statutory audit.

#### **3.81 Objectives of review**

The objectives of this section is to assess the quality of the reports generated by the accounting system. The tests used involved a review and analysis of the reports presented from the accounting department.

#### **3.82 Comments**

We reviewed the reports for a World Bank project, analysing the reports for the months of January 1995 to June 1995. This project with the NFPB ended in June 1995.

Discussions with management in respect of other project reports revealed that there were no outstanding reports for these projects.

Reports submitted were all of an acceptable standard.

## **4.0 REVIEW OF FINANCIAL MANAGEMENT AND ADMINISTRATIVE CAPABILITIES**

### **Introduction**

Before the USAID can transfer the financial management back to NFPB, it is necessary for them to be satisfied that NFPB has sufficient controls and procedures in place to ensure that it has the capability to take on the responsibility and perform to the satisfaction of USAID as regards the Family Planning Initiatives Project No 532-0163.

### **4.01 Objective of Review**

The objective of the review of financial management and administrative capabilities is to determine whether the recipient has the capability to efficiently and successfully implement projects. In order to achieve this objective the following documents were scrutinised:

- Internal audit reports
- Organisation Chart
- Project contracts
- Funding Agency documents
- Other documents deemed to be pertinent to the review

In addition various other sources of information and matters pertinent to the review were examined:

- Sources of income
- Financial status
- Human resources

#### 4.02 Review of Internal Audit Reports

A review of the reports prepared by the internal auditor revealed the following:

- There is a Finance Committee on which the internal auditor is a member. The reports of the internal auditor are submitted to this committee and these reports are then subsequently submitted to the Board through the Finance committee
- In a report submitted by the internal auditor on 18 January, 96 it was noted that previous recommendations made by external auditors and accepted by the Board were not followed. This in respect of the matter of using two cheque books for the same bank account in the same time period. It was also noted that the "cheque books" in use are loose leaves and due to the lack of appropriate control system over them, errors and irregularities may go undetected.
- From discussion and reviews of reports of the internal auditor, several discrepancies were found in the NFPB's programme of cost recovery. There are problems in collecting sale proceeds from outlets. We refer to the internal auditor's report dated 23 October, 1995 and 17 and 18 January, 1996. The report dated 23 October, 1995 made reference to irregularities at the May Pen clinic. However the situation occurred again in January 1996.

#### **Recommendation**

We recommend that:

- Only one cheque book for each bank account should be used at any one time to reduce the risk of unauthorised issuances. In order to facilitate the timely preparation of payroll, NFPB can consider adopting one of the following:
  - i) A designated payroll account be opened and salary cheques drawn on that account.

- ii) Make arrangements with the bank to credit employee accounts with their net pay (this may require employees to open an account at the particular branch. A master list would be sent to the bank on a monthly basis).

#### **4.03 Review of Current Organisation Structure**

The operations of the NFPB comes under the portfolio of the Ministry of Health. The daily management activities of the NFPB is the responsibility of the Executive Director who reports to a Board of Directors who are responsible for policy decisions.

The Deputy Executive Director reports directly to the Executive Director on all matters relating to the operations of the Board and has special responsibility for the functional area of finance and budgeting.

The internal auditor and the public relations officer are the only other persons with direct reporting responsibility to the Executive Director.

The following are the functional areas in operation at the NFPB:

- Finance and Budget
- Administration & Personnel
- Contraceptive Management/Logistics
- Information, Education and Communication (IEC) Training
- Project Co-ordination Management Information System
- Service Delivery

Appendix A shows the revised organisation chart issued on 30 November 1993. From our review of the organisation chart and discussions with senior management officials we are satisfied that the NFPB's organisation structure adequately facilitates its ability to successfully implement funded projects.

#### 4.04 Review of the Sources of Income

##### **Introduction**

NFPB sources of income are as follows;

- Government subvention
- USAID funds
- World Bank funds
- AVSC funds
- Donations
- Fees from services rendered.

#### 4.05 Comments on sources

##### ***Government subvention:***

Funds from Government are mainly to pay salaries and other administrative expenses.

##### ***USAID :***

The monitoring of accounting operations for USAID funds by NFPB ceased in 1992, after irregularities were discovered. Since then the NFPB continues to receive financial support, monitored directly by AID.

##### ***World Bank :***

Funds received from the World Bank are in the form of a loan guaranteed by the Government of Jamaica. The funds are used to finance various projects of NFPB.

##### ***AVSC :***

Funds from AVSC are indirectly from the USAID. The AVSC is a group of consultants to whom USAID allocated funds for finance projects. The funds received are controlled by NFPB who are required to send quarterly reports to AVSC

***Donations :***

Donations are from fund raising activities. Funds are kept in a special bank account and the board chairman authorises expenditures.

***Fees from services:***

NFPB charges a fee to public sector clinic for one of its family planning supplies namely Depo Provera (injection). Discussion with the Deputy Executive Director revealed that persons who cannot afford the family planning fee are not turned away from the clinic; NFPB supplies 40% of the basic supplies, without charge, to facilitate these persons.

**4.06 Review of Human Resources**

A review of NFPB key personnel in administration, accounts and project and research revealed that these persons are qualified and have years of experience in their fields. However, there is a need for training in effective supervision and for the timely implementation of the policies and procedures of the Board.

**4.07 REVIEW OF THE FINANCIAL POSITION**

**Introduction**

The following ratios were calculated to assist us in evaluating the financial position and status of the NFPB. These ratios are based on the draft financial statements dated

30 September, 1995. The ratios calculated are:

- i) Percentage of liquid assets to total assets
- ii) Percentage of current liabilities to total assets
- iii) Percentage of long term assets to total assets

#### **4.08 Comments on Ratio Analysis**

##### ***Liquid assets : total assets***

The NFPB is highly liquid, 63% of its total assets are in the form of cash and advances.

##### ***Current liabilities : total assets***

Current liabilities are 2% of the total assets of NFPB. This low figure is indicative of the fact that the organisation operates mainly on a cash basis.

##### ***Long term assets : total assets***

The long term assets are represented by land, buildings, warehouse, fixtures & fittings and motor vehicles. As at the 30 September, 1995 the NBV of these assets totalled \$3,698,704, while the cost value totalled \$6,289,831. The long term assets represent 8.5% of the organisation's total assets; this is reasonable because most of the organisation's asset are in the form of cash.

It is important that the organisation maintains its level of funding from donors. If the level of funding is not maintained and the funds on hand become depleted then the operational capabilities of NFPB will be severely curtailed.



## **5.0 SYSTEMS REVIEW**

### **Introduction**

In any review of control systems, the first step is to evaluate and determine the adequacy of policies and procedures which are currently in use at the NFPB. The work performed in section 3.0 above has outlined control objectives, weaknesses and solutions for various sub-systems.

### **5.01 Comments**

The review of the systems will form the basis for discussions with NFPB and USAID personnel to determine if any revisions are required to the current accounting manual. However careful consideration must be given before updating the accounting manual; it is necessary to document the present system and determine the reason why it is different from that laid out in the manual because the accounting manual was prepared after the systems had been developed following the discovery of fraud. Accordingly the system that was developed contained all the controls and procedures felt to be appropriate to the situation, therefore unless the processes have changed it should still be appropriate.

It is recognised that it may be necessary to update the system on an ongoing basis as a result of operational or financial changes.

## 6.0 REVIEW OF PREVIOUS ASSESSMENT RECOMMENDATIONS

A review of previous assessment recommendations revealed that some of the previous recommendations by Ernst & Young (formerly PKF) had not been implemented by NFPB. These are as follows:

### **Bank Reconciliation**

- Timely preparation of bank reconciliations
- The checking, approval and signing of reconciliations

### **General Ledger**

- Timely posting of transactions to the general ledger
- Approval of journal entries before posting to general ledger

### **Fixed Asset Register**

Full implementation of a fixed asset register

### **Comment**

The above items are not exhaustive. However, they are the core areas of any effective accounting system. The above items were also recommended by the AVSC in March 1995, after the AVSC bank account holding AVSC funds went into overdraft.

## 7.0 CONCLUSION

The assignment, as outlined in the above report covered all areas specified in the scope of work and our findings are documented.

In our evaluation of the accounting system, our review focused on whether the internal control systems were sufficiently strong to:

- Prevent or detect fraud, pilferage, misuse or misappropriation of the property at the earliest possible stage and
- Produce meaningful and reliable reports on project related transactions.

Our review of the various sub-systems as detailed in the report, revealed areas where the internal control systems were satisfactory and areas where improvements were needed.

In evaluating the accounting system, we also performed a systems review which looked at the adequacy of the policies and procedures currently in use at the NFPB. Where policies and procedures were found to be deficient or inappropriate, recommendations were made for improvements.

The report reviewed the financial management and administrative capabilities of the NFPB in order to consider whether the NFPB is able to effectively and successfully implement the project. Our review in this area looked at the availability of human resources, financial and organisational issues.

Overall, we believe that the NFPB has adequate organisational framework, financial aid and human resources available to successfully implement the project. However, there is need for more effective supervision to ensure that the objective of strengthening the financial management and administrative capabilities are met.

Reports have been prepared outlining assessments and recommendations, some of which have been implemented. However, it is our view that the management of the NFPB are aware of the importance of the implementation of all recommendations and have the intention of ensuring that full implementation is effected.