

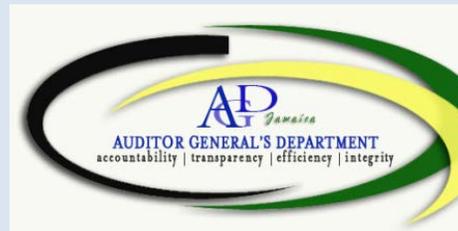
**AUDITOR GENERAL'S DEPARTMENT
AUDIT INSPECTION
ACCOUNTS 2015/2016**

JAMAICAN LIAISON SERVICE (JLS)
Management of the
Canadian Farm & Factory Workers' Programme

The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial and Administration and Audit Act.

This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.



Auditor General of Jamaica
Auditor General's Department
40 Knutsford Boulevard
Kingston 5, Jamaica, W.I.
www.auditorgeneral.gov.jm

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Promoting a better country through effective audit scrutiny of Government operations.



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Foreword

The Jamaican Liaison Service is the agency established by the Ministry of Labour (Government of Jamaica) under the Memorandum of Understanding (MOU) between the Federal government of Canada and the government of Jamaica, that is charged with the responsibility of administering the Seasonal Agricultural Workers Programme in Canada.

In executing this responsibility, the Jamaican Liaison Service (JLS) works closely with all Federal, Provincial and NGOs to facilitate the general welfare of all skilled and unskilled agricultural workers recruited from Jamaica to Canada, under the Temporary Foreign Workers Project.

We conducted a financial statements audit for the financial year, 2015/16 to determine whether the financial statements gave a true and fair view of the JLS financial position as at March 31, 2016. We also conducted an activity-based audit of JLS operations for the period April 2013 to March 2016 to determine whether the JLS operated proactively to foster a good working relationship between employers and workers whilst protecting the welfare of the workers; and whether corporate governance practices were in keeping with the Government of Jamaica guidelines and best practice.

The audit revealed continued weaknesses in governance practices such as the Permanent Secretary performing the role as Chairman of the Management committee which heightens the risk of conflict of interest arising. This as the Permanent Secretary has total oversight responsibilities for the MLSS whilst being chairman of the Committee. Further, the audit identified that whilst tools existed to monitor the performance of the Liaison officers these were not consistently utilised and consequently undermined the intended effectiveness of the monitoring tools to measure performance and enforce accountability.

The Management Committee in its response to this report indicated that steps will be taken to address the concerns highlighted herein and accordingly implement the recommendations.

I wish to express my sincere thanks to the management and staff of JLS for the cooperation and assistance given to my staff, during the audit.



Pamela Monroe Ellis, FCCA, FCA, CISA
Auditor General

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Executive Summary

The Canadian Farm and Factory Workers' Programme (CFWP) is an inter-governmental programme between the Governments of Jamaica and Canada that offers Jamaicans seasonal employment opportunities throughout Canada. The Programme has been in existence since 1966 and is administered by the Jamaican Liaison Service (JLS). The core activity of the JLS is to provide administrative support to seasonal workers and to foster a healthy and stable environment by forging a good relationship between the Jamaican workers and their Canadian employers. The JLS is headed by a Management Committee, appointed by Cabinet, which is responsible for the general management of the entity's resources. The Chief Liaison Officer (CLO), with a staff compliment of 22, manages the day-to-day operation of the JLS.

Prior to January 1, 2016, the JLS earned income by retaining five per cent of wages paid to farm workers on a daily basis. Since January 1, 2016, the JLS earns its income by deducting CND\$5.45 per day from the wages of each worker, which it utilises to fully offset, the administrative expenses of the Office. For the financial year 2015/2016, the JLS's budget projected revenue and expenditure of \$5.6 million and \$4.9 million, respectively. Over the three-year period, FY2013/14 to FY2015/16, total revenue exceeded total expenditure by CND \$2.9 million.

The Auditor General is mandated to conduct annual audits of the JLS to independently express an opinion on the financial statements and the effectiveness of internal controls implemented by management over the operations of the JLS.

For the financial year 2015/2016, the audit was conducted during September 19-30, 2016 and the key findings are summarized below.

Key Findings

Lack of Strategic Planning and Focus

1. Whereas the JLS prepared an annual budget, the entity did not develop a strategic business plan to drive its mandate. Our review disclosed that JLS did not have in place a structured system which incorporated robust planning as well as performance monitoring and review. Further, there was no evidence that over the years, the Management Committee undertook proactive stewardship by requesting and supporting the development of a strategic business plan. Although an annual budget was prepared, this appeared to be only an academic exercise as there was no evidence that the Management Committee periodically reviewed performance or assess outcomes relative to budget. Such analyses are not only critical to planning and decision-making, but it enables an entity to take the appropriate corrective actions that will support the achievement of its objectives.

Absence of proper capacity planning

2. Key to the JLS core activity of providing support to farm workers, are the 12 Liaison Officers (LO) whose inspection function, coupled with frontline interaction between workers and employers, can identify critical issues that could undermine the objectives of the Programme. We found that the JLS did not prepare annual farm visit plans to support the LOs' weekly farm visit schedule. This constrained the JLS's ability to identify needed capacity or to use the LOs efficiently in order to ensure consistent delivery of high quality service. Whereas JLS aimed to visit each of the over 600 farms at least twice per season, over the last three seasons (2013-15) on average, JLS conducted less than the planned two farm visits per season, based on its current capacity. This deficiency underscores the need for proper resource planning, supported by annual plans to ensure the efficient use of limited human and financial resources. The Management Committee has indicated that JLS was asked to prepare an operational plan, which should be submitted no later than end of January 2017.

Limited Performance Review and Monitoring

3. The JLS has in place a number of tools to log complaints and responses as well as assess staff performance. However, these tools were not faithfully utilised, depriving the JLS of relevant information for decision making and planning. Our review of systems revealed that, with the exception of the week of September 19, 2016, liaison officers did not complete the relevant columns provided by the templates, for the capture of details such as the number of workers seen and the issues and complaints that were processed and addressed. Further, in instances where reports were presented, we found no evidence of follow-up action by the Chief and Deputy Chief Liaison Officers (DCLO); neither did the minutes of the Management Committee reflected such discussions. These deficiencies were exacerbated by the inconsistent preparation of staff performance appraisals. As a consequence, we were unable to assess whether the liaison officers met their responsibilities.

Weak Corporate Governance practices

4. Previous reports from this Department highlighted a number of instances of conflicts of interest and actions unsupported by proper authority, arising from inappropriate concentration of power in the Permanent Secretary who is also the Chairman of the Management Committee. This weak governance arrangement has not been addressed despite repeated reports on this issue. Our report dated December 11, 2012 highlighted instances where instructions governing the human resource function appeared not to have been shared with the Board, and the capacity in which the officer acted, could not be determined. Similarly, we noted that the current Permanent Secretary/Chairman also granted approval for the payment of a 10 per cent gratuity to a liaison officer, but there is no evidence that the Management Committee was consulted prior to approval.

Non-recovery of overpayment

5. We reported the overpayment of US\$5,025 to a former senior officer, in the Department's 2014-15 Annual Report. The JLS reported that the then Permanent Secretary, in his capacity as Chairman of the Management Committee, approved the payment of gratuity for three months to an employee who was not entitled to such payment. However, we found no evidence of this approval or that this matter was brought to the Management Committee. Up to the time of reporting, the overpayment had not been recovered and represents a possible loss to the Government. Further, the responsible officer(s) should be advised that surcharge proceeding will be instituted, if the amount is not recovered.

Reporting and Performance Evaluation

6. We found no evidence that the Management Committee submitted reports of its performance to Cabinet, to allow for effective oversight of the stewardship of public resources. No appraisal of the performance of the Management Committee has been undertaken from its inception. In the absence of such an evaluation, it is difficult to assess whether the Committee is fulfilling its objective in an effective and efficient manner; and to identify areas that might require improvement to enhance the effectiveness of the Programme.

Recommendations

1. To enable proper performance monitoring, JLS is encouraged to develop strategic business plan and an annual operational plans that will guide in the effective and efficient management of its resources. Also, JLS should closely monitor the timely and accurate completion of reports, as well as the usage of performance tools provided and hold officers accountable for improper usage.
2. We also encourage the JLS to strengthen the internal controls over the investments to reduce the risk exposure and implement systems to ensure compliance with the MoFPS's guidelines over the payment of emoluments.
3. An urgent review of the JLS corporate governance practices should be conducted with a view to separate the role of the Permanent Secretary and that of the Chairman; a practice that is consistent with good corporate governance.

Management's Response

The CLO indicated that the JLS will implement corrective actions and adopt the recommendations put forward.

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Part One

Introduction

Statutory mandate and role of Jamaica Liaison Service (JLS)

- 1.1** The Canadian Farm and Factory Workers' (CFW) Programme which has been in existence since 1966 operates as an inter-governmental administrative arrangement between the Government of Canada and the Government of Jamaica, concerning the Commonwealth Caribbean Seasonal Agricultural Workers' Programme. The activities of the CFW Programme are carried out by the Jamaica Liaison Service (JLS). The Management Committee of JLS is responsible for strategic oversight and is chaired by the Permanent Secretary of the portfolio Ministry of Labour and Social Security (MLSS). JLS operates in the provinces of Quebec, Manitoba, New Brunswick, Nova Scotia and British Columbia.

JLS Mandate

Vision

To administer to the welfare of workers and recruits and foster good working relationship between employers and workers.

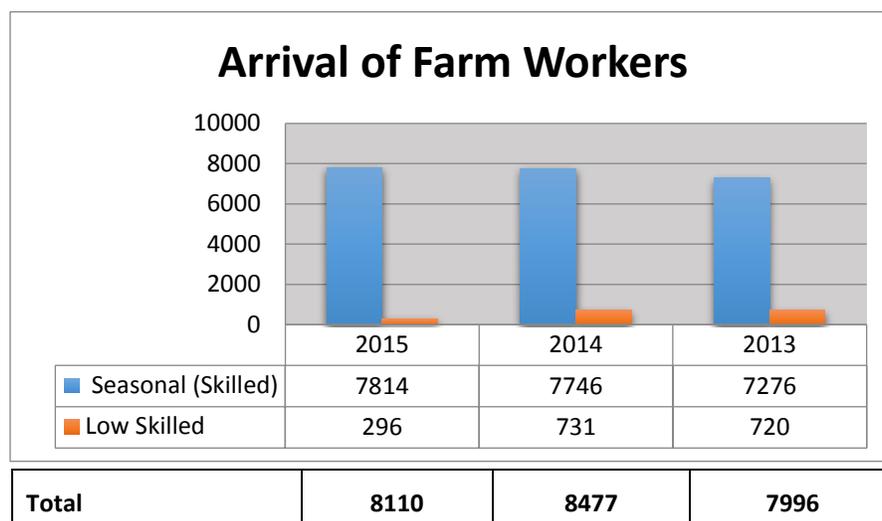
Mission

To facilitate the labour needs of Canada by identifying and recruiting reliable workers from Jamaica under the Seasonal Agricultural Workers Programme and the Temporary Foreign Workers Programme (Skilled & Low Skilled).

- 1.2** JLS's mandate supports National Outcome 8 of Vision 2030 and the National strategies: To develop an efficient labour market; improve the labour environment to enhance labour productivity and worker satisfaction. The core activity that supports the JLS mandate is the provision of services in the interest of the proper welfare of the farm workers; and to foster a healthy and stable environment by forging a good relationship between the workers and the employers. Based on the MOU Canada/Jamaica (1995) it is expected that Jamaica "will appoint one or more agents in Canada for the purpose of ensuring the smooth functioning of the program for the mutual benefit of both employers and workers. It is therefore vital that there exists a robust system of relationship management which would be supported by the work of the liaison officers.

- 1.3** The total arrival of farm workers to the CFW programme for the 2015 season was 8110, which was four per cent below the 2014 season, see **Figure 1**. A disaggregation of arrivals in 2015 indicate a marginal increase of 0.9 per cent in the arrival of Seasonal/ Skilled farm workers to 7814; whereas the arrival of Low Skilled workers fell sharply by 147 per cent to 296, from 731 in 2014. The JLS attributes this decline to a policy change in the Temporary Foreign Worker Programme.

Figure 1: Arrivals of Farm workers¹ over a three-year period:



Source- JLS Record-

- 1.3** The number of employers participating in the farm work programme fell marginally in 2015 to 635 from 644 in 2014, but was higher than the 619 who participated in 2013. The number of new employers participating in the Programme also declined each year over the three-year period from 53 in 2013, to 44 in 2015, see **Figure 2**.

Figure 2: New Employers added to the Programme

Year	2015	2014	2013
New Employers Added	44	49	53
Total Employers	635	644	619

Source- JLS Agriculture Management System

¹ Skilled and unskilled

Source of Funding for JLS

1.4 JLS's major source of income is the retention of 5 per cent per day from the wages paid to farm workers which was revised to CND\$5.45 per day effective January 1, 2016. Actual income consistently increased over the period to \$5.6 million in FY2015/16 from \$4.9 million in FY 2013/14 and exceeded the budgeted amounts for the respective periods. On the other hand, expenditure also increased steadily to \$5.0 million from \$4.4 million in FY2013/14 and except for FY2014/15, exceeded the respective budgets for the period. For the three-year review period, total revenue amounted to \$16.8 million, exceeding total expenditure of \$13.9 million by \$2.9 million. (Figure 3).

Figure 3: Analysis of JLS's revenue and expenditure [2013-14 to 2015-16]

	Budgeted Income	Actual Income	Variance	Budget Expenditure	Actual Expenditure	Variance
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
2015/16	5,607,000	5,793,989	186,989	4,990,000	5,104,510	-114,510
2014/15	4,904,500	5,850,048	945,548	4,670,000	4,360,145	309,855
2013/14	4,700,000	5,189,964	489,964	4,392,000	4,437,293	-45,293
TOTAL	15,211,500	16,834,001	1,622,501	14,052,000	13,901,948	150,052

Source: JLS's records

Audit rationale, scope and methodology

1.5 We conducted an activity-based audit of JLS's operations for the period April 2013 to March 2016, and a financial statement audit for the financial year, 2015/16. The audit was conducted during the period September 10, 2016 to September 30, 2016. We reviewed the accounting systems, internal controls and operations of the Liaison officers, only to the extent considered necessary for the effective conduct of the audit. Audit findings and observations, therefore, should not be regarded as representing a comprehensive statement of all the weaknesses that may exist, or all the improvements which could be made to the JLS's operating systems and procedures. The objectives of the audit were to:

- assess whether, in all material respects, the financial statements gave a true and fair view of the JLS financial position as at March 31, 2016;
- determine whether the JLS operates proactively to foster a good working relationship between employers and workers; whilst protecting the welfare of the workers; and
- assess whether the JLS corporate governance practices were in keeping with the Government of Jamaica guidelines and best practice.

1.6 Our assessment was based on the review of internal and external documents, interviews with senior management and staff, observations and analysis of information provided by JLS. The audit was planned and conducted using the standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require that we plan our audit to obtain reasonable assurance of detecting material errors, irregularities and fraud and report findings.

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Part Two

Audit Findings

Strategic Planning and Focus

- 2.1** Whereas the JLS prepared an annual budget, we noted that the JLS did not develop a strategic business plan to drive its mandate. A Strategic Plan should outline the overall direction and philosophy of the Programme. Our review disclosed that JLS did not have in place a structured system which incorporated robust planning as well as performance monitoring and review. Additionally, the Management Committee did not demonstrate proactive stewardship by requesting the preparation of a strategic business plan.
- 2.2** JLS prepared an annual budget; however, the Management Committee did not formally review and approve same. Though the Chief Liaison Officer prepared a budget report, there was no evidence of the Management Committee undertaking formal analysis of budget versus actual outcomes to assess the factors responsible for underperformance or over-performance. This type of analysis is critical to planning and decision making, as well as designing and implementing corrective actions that are consistent with objectives.

2.3 Performance Review and Monitoring

The core activity of the JLS is to provide support service beneficial to the proper welfare of the farm workers and to foster a healthy and stable environment by forging a good relationship between the workers and the employers. The liaison officers' job descriptions, at the various levels, outlines the LOs responsibility for monitoring and relationship management

Table 1: Farm Visits by Liaison Officers

	2015	2014	2013
Visits	1237	966	984
Total Farms	635	644	619
No. of LOs	12	12	11

Source: CLO's report of 2013 - 2015

- 2.4** Our review of the CLO's annual reports disclosed that over the three-year season², notwithstanding significant improvement in farm visits for 2015, LOs undertook on average, less than two farm visits per season, as inferred from **Table 1**; set against a target of two farm visits per season. We noted that the LO's prepare weekly farm visit schedules which are supported by Authorisation for Travel

² Season - January to December of each year

form; however, the JLS did not prepare annual farm visit plans and matched targets with resources. In the absence of annual farm visit plans, the capacity limitations would not be adequately identified and managed. Further, JLS's aim, to visit each farm at least twice per season, is unlikely to be achieved considering the resources available which is exacerbated by additional duties undertaken by the LOs. This challenge underscores the need for proper resource planning, supported by realistic annual targets to ensure consistent service delivery by the JLS.

- 2.5** The JLS has in place a number of tools such as the Authorisation for travel, monthly and quarterly performance reports to govern the monitoring process and assess performance. Though the requisite tools are provided they were not faithfully completed. In fact, with the exception of the week of the September 19, 2016, the liaison officers did not complete columns provided in the template to capture details such as the number of workers seen and the issues that were processed. Consequently, it could not be readily determined if liaison officers achieved their targets. Further, these deficiencies were exacerbated by the inconsistent preparation of performance appraisals, which since 2012 have not been prepared for 11 officers. A tool to log complaints received and resolved was also available but was not faithfully used. From our review, we noted where complaints and issues were logged but there was no evidence of follow up by the DCLO or CLO³. In addition, there was no information on how the complaints were resolved.

Weak Corporate Governance Practice

- 2.6** In April 2016, the Permanent Secretary approved the payment of a 10 per cent gratuity to Liaison Officers upon satisfactory performance of their assigned tasks. The memorandum granting the approval indicated that "Whilst approval is granted, this matter must be presented at the next Management Committee meeting for general approval and implementation with the employment contracts by the Liaison Service." However, we found no evidence in the minutes of subsequent Management Committee meetings that the matter was discussed, although one Liaison Officer was paid the 10 per cent gratuity, which totalled CA\$22,586.44.
- 2.7** The Permanent Secretary (PS) is also the Chairman of the Management Committee. Previous reports from this Department highlighted a number of incidences of conflict of interest and action unsupported by proper authority arising from inappropriate concentration of power in the permanent secretary/chairperson. This weak governance arrangement has not been addressed despite my repeated reports on this issue.

Non recovery of US\$5,025 overpayment reported in 2015 Audit Report

- 2.8** The moral hazard presented by the dual role of the Permanent Secretary (Para 2.9), contributed to the overpayment of US\$5,025 to a former senior officer, as the JLS reported that the former Permanent Secretary approved the payment of a gratuity outside the officer's period of employment. We found no evidence that this matter was referred to or discussed by the Management Committee. Up to the time of reporting, JLS had not recovered the US\$5,025 that was

³ Deputy Chief Liaison Officer (DCLO), Chief Liaison Officer (CLO)

overpaid to the former senior officer. JLS presented a letter dated January 11, 2016 indicating that the former officer was advised of the overpayment and requested that he contact the JLS to arrange to repay the amount. However, at the time of audit, September 2016, no response was received from the former officer and we found no evidence that JLS had been pursuing the matter. The overpayment, if unrecovered, would be a loss to the Government and the responsible officer (s) will be held accountable.

Reporting and Performance Evaluation

- 2.9** The key to good corporate governance practices is a structured reporting system that enhances transparency and allows for greater accountability. We found no evidence that the Management Committee had been submitting reports of performances to the Cabinet. The absence of such reports weakens the oversight function of Cabinet in respect of the JLS operations. Further, we found no evidence that since its inception, an appraisal of the performance of the Management Committee was undertaken. In the absence of such an evaluation, there would be no point of reference to determine whether the Committee is fulfilling its objective in an effective and efficient manner or to identify areas for improvement.

Internal control Weaknesses

Absence of adequate oversight - Assisted Leave Passage

- 2.10** We noted that Liaison Officers whose immigration status had changed to residents or citizens of Canada continued to benefit from assisted leave passage to travel to Jamaica while on vacation leave. For the period April 2014 to June 2016, JLS paid out C\$6,922.63 in assisted leave passage to four Liaison Officers and their families to travel to Jamaica whilst on vacation leave. We found that JLS did not require liaison officers to disclose their status. Further, the schedule presented by the JLS did not include the date when the officers' status was changed.
- 2.11** The JLS should discontinue the payment of assisted leave passage to officers whose immigration status have changed. Going forward, JLS should mandate that the LOs disclose any change in their immigration status and the policy relating to assisted leave passage amended to ensure that such benefits are applicable only to eligible officers. The revised policy should be clearly communicated to the liaison officers.

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