International Budget Partnership

Closing the COVID Accountability Gap:

Jamaica's Experience with Real-Time Audits

By Damien King, Caribbean Policy Research Institute

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In 2021, the International Budget Partnership published an assessment of 120 countries' management of COVID relief, which found that too many governments were using the excuse of urgency to avoid being as transparent, accountable or inclusive as they could be. These shortcuts and limitations, however, are neither necessary nor inevitable. IBP's report showcased notable instances in which governments acted swiftly to put in place adequate transparency around their policy responses, where accountability institutions — such as legislatures and supreme audit institutions (SAIs) — stepped up to provide effective oversight, and civil society organizations contributed information on the needs of the most vulnerable. In a series of briefs, we have taken a more in-depth look at these good practices — delving into government objectives in implementing the practices, the impacts achieved, and lessons that can be drawn from these practices for their replication in other countries. The main goal of these briefs is to provide governments with information on good practices in fiscal openness and accountability that they can incorporate into their own policies, to be implemented during periods of crisis and beyond.

This case study will discuss the government of Jamaica's JMD billion stimulus package, which included tax benefits and a cash transfer program to individuals and businesses and was meant to cushion the economic impact of the pandemic. To enhance the level of accountability and transparency during the budget process, the Auditor General's Department (AuGD) conducted real-time audits of the temporary cash transfer program — the COVID-19 Allocation of Resources for Employees (CARE) Programme — for which the architecture was designed expressly for this purpose. Jamaica was one of the few countries in which real-time audits of COVID-related expenditures were conducted. This brief explores the rationale for the use of real-time audits in Jamaica, the existing framework(s) that enabled the execution of such audits and their impact in addressing issues of equity, if any.

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Real-time auditing of the CARE program

On March 10, 2020, the Minister of Finance, the Hon. Nigel Clarke, outlined in his opening budget presentation the use of the JMD7 billion, with a JMD7 billion provision for funding on a contingency basis for a comprehensive COVID-19 fiscal action plan. Two weeks later, the allocation was increased to JMD10 billion and earmarked specifically for spending stimulus under the Covid Allocation of Resources for Employees (CARE) Programme.[1] The CARE Programme was designed to support the neediest segments of society, whether businesses or individuals, to mitigate the economic contraction caused by COVID-19.

The systems to deliver a targeted intervention of this magnitude in the required time frame did not exist prior to the pandemic and so had to be purpose-built. This required a multidisciplinary team from the Ministry of Finance and the Public Service (MOFPS), the accountant general's department, Tax Administration Jamaica (TAJ), and eGov Jamaica Limited (eGov) to build the required electronic infrastructure. Launched on April 30, 2020, CARE consisted of nine categories — Business Employee Support and Transfer of Cash (Best Cash), Supporting Employees with Transfer of Cash (Set Cash), COVID-19 General Grants, COVID-19 Compassionate Grants, COVID-19 Programme of Advancement Through Health and Education (PATH) Grants, COVID-19 Small Business Grants, COVID-19 Tourism Grants, COVID-19 Student Loan Relief, Other COVID-19 Support Programmes — with varying criteria.

Given the size of the package and the short time frame for building the infrastructure and delivering the benefits, the MOFPS requested that a review of the information systems infrastructure governing CARE be conducted by the AuGD. The general objective of the real-time audit was to strengthen the accountability, transparency and integrity of the process. The information systems review would assess the risks associated with CARE, evaluate the control framework, and determine whether the systems and processes used in administering the program were reliable (providing reasonable assurance that only qualified and legitimate applicants would benefit from the program).[2]

In considering the request from the MOFPS, the AuGD reassessed its operational plan and procedures to evaluate the feasibility of conducting the real-time audits, which was not a part of their service portfolio prior to the pandemic,. This involved an examination of emerging risks to the AuGD and the reallocation of human resources required to support the department in meeting the needs of its stakeholders during the COVID crisis.[3]

[1]*https://jis.gov.jm/media/2020/04/CARE-Brochure-Ministry-of-Finance-2020.pdf*
[2]*https://auditorgeneral.gov.jm/wp-content/uploads/2020/12/Audit-of-the-COVID-19-Allocation-of-Resources-for-Employees-CARE-Programme_November-2020.pdf*
[3]*https://auditorgeneral.gov.jm/wp-content/uploads/2021/01/FINAL-AR-Dec-28-2020-2.pdf*

Audit teams were required to develop methodologies and procedures to execute the audit, allowing for prompt publication of the findings.[4] Such real-time review involves extracting elements of the software model on which CARE was built and adapting that to audit methods to enable concurrent audits of the program during the developmental stages.[5] Consistent with the department's general audit practices, the methodology applied was in accordance with the International Standards for Supreme Audit Institutions.

The scope of the audit involved information technology systems and resources applicable to the various components examined. For the CARE and PATH programs, the respective information systems included CARE's portal system, the Revenue Administration Information System (the tax administration's database), and the Beneficiary Management Information System (the database of PATH recipients). Beyond these, the audit's methodology was the usual auditor's toolkit of document reviews and interviews with management, staff, and key stakeholders, as well as an analysis of information provided by eGov, TAJ, MOFPS, the accountant general's department, the Ministry of Culture, Gender, Entertainment and Sport, the Tourism Product Development Company and the Ministry of Labour and Social Security.

As a result of these real-time audits, the AuGD published three reports by the end of 2020 – in May, June and December — each assessing different categories of the program. This activity not only strengthened the capacity of the auditors and expanded the AuGD's service portfolio to include innovative audit practices such as real-time audits but it identified critical gaps in the CARE system that would have impeded its efficacy.[6] The auditors strengthened their capacity by incorporating the Revenue Administration Information System (RAiS) (which was still being in the process of being developed at that time).[7] The AuGD's service portfolio consisted of five auditing services: compliance, financial, performance, information systems and special investigation,[8] none of which could accommodate the intended time frame for the disbursement of the C.A.R.E packages while also maintaining sufficient levels of accountability.

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[4]*https://auditorgeneral.gov.jm/wp-content/uploads/2021/01/FINAL-AR-Dec-28-2020-2.pdf*
[5]*https://auditorgeneral.gov.jm/wp-content/uploads/2021/01/FINAL-AR-Dec-28-2020-2.pdf*
[6]Email correspondence with the auditor general's department on April 19, 2021.
[7]*https://auditorgeneral.gov.jm/wp-content/uploads/2020/05/Audit-of-COVID-19-resource-allocation.pdf*
[8]*https://auditorgeneral.gov.jm/audit-services-and-process/*

Greater efficiency and accountability

Overall, the concurrent auditing of CARE was effective in identifying risks inherent in the grants' eligibility criteria, processing and disbursement, and it was also effective at offering implementable controls aimed at reducing the identified risks. Evidence of success was outlined in the government's midyear budget report, the Interim Fiscal Policy Paper. As of October 2020, almost half a million Jamaicans, a quarter of the adult population, had benefited from CARE (two-thirds of this number received a Compassionate Grant). In June 2021, the Minister of Finance announced an extension of the BEST and SET Cash Grants to eligible applicants (both existing and new), which resulted in an additional 55,000 Jamaicans benefiting from these grants.[9]

Results of the real-time audits

The execution of three real-time audits were important in identifying possible gaps in the system that would have reduced the efficacy of the government's efforts on behalf of the neediest. The audits have _reportedly_ saved the country JMD245 million in payments to ineligible applicants.

Each of the reports examined a different component of the CARE program with regard to the efficiency of information systems. The May report was an audit of the infrastructure of the information systems governing the program. The June and November reports were a compliance audit on the eligibility, processing and disbursement guidelines.

The first real-time audit report probed the general and application controls of the CARE program. The general controls sought to determine whether the internal control's structure was sufficient to support confidentiality, integrity and availability of information in the system, from the application stage to approval for disbursement.

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[9]_https://jis.gov.jm/speeches/statement-to-the-house-of-parliament-about-the-conditional-cash-transfer-for-the-vaccinated-extension-of-set-and-best-cash-grants-by-hon-nigel-clarke-d-phil-mp-minister-of-finance-and-the-public/_

The May assessment revealed that while internal controls were sufficient to identify an applicant by validating name, tax registration number and date of birth, applicants were able to successfully submit applications contrary to the specifications of the Compassionate Grant and SET Cash component of CARE.[10] Subsequently, eGovJa indicated that its "investigations revealed that there was a rare case in an early version of the application which would allow an applicant to have two applications which has since been fixed.[11] Another problem was with employed applicants being deemed eligible for the Compassionate Grant, in spite of that grant explicitly targeting the unemployed or informally employed.[12] The ministry held up payments until after the audit occurred and worked closely with the supreme audit institution to follow up on audit recommendations, such as the removal of duplicate applications.[13]

The June audit focused on the eligibility, processing (bank account validation) and disbursement guidelines for the Compassionate Grant and COVID-19 PATH Grant. Like the May audit, it revealed problems with Compassionate Grant eligibility.

The COVID-19 PATH Grant targets individuals enrolled in PATH, which, prior to the pandemic, was Jamaica's only cash transfer program. Previous audit reports on PATH would have highlighted the presence of illegitimate or duplicate beneficiaries,[14] so this review sought to determine whether only legitimate PATH beneficiaries received payments by cross-checking the Beneficiary Management Information System (BMIS). The BMIS system, however, had a malfunction that resulted in 776 ineligible individuals being inadvertently added to the system.

The final real-time audit, conducted in November, assessed the eligibility, processing and disbursement guidelines for the BEST Cash and the COVID-19 General Grant. These grants were designed to keep the productive capacity of the economy functioning, especially in sectors such as tourism on which the economy depends.

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[10]The Compassionate Grant is a one-time payment of JMD10,000 to persons not formally employed and who have not and do not apply for any other cash benefit under CARE, except the COVID-19 PATH Grant. SET Cash provides temporary cash transfers to individuals who lost their employment on or after March 2020 or were laid off or terminated after March 10, 2020, and before June 30, 2020. This grant pays JMD18,000 monthly. *https://auditorgeneral.gov.jm/wp-content/uploads/2020/06/Information-Systems-Audit-Report-re-Audit-of-the-CARE-Programme_June-2020_Tabling.pdf*
[11]*https://auditorgeneral.gov.jm/wp-content/uploads/2020/05/Audit-of-COVID-19-resource-allocation.pdf*
[12]Eligibility for the Compassionate Grant requires that an individual not be on a PAYE Return system.
[13]Reyna Samuels and Monique Graham, "Following the Money," November 2020, *https://capricaribbean.org/documents/following-money-transparency-and-oversight-government-budget-process-jamaica*
[14]Auditor general's reports, 2011 and 2018. These reports also give evidence of fraudulent activities by officers within the Ministry of Labour and Social Security Department, who reactivated the profiles of dead beneficiaries and used their accounts to siphon funds. Auditor General's Department, "Compendium of Special Investigations Report on the Ministry of Labour and Social Security NIF Equity Management and Rehabilitation Programme," 2018, *https://auditorgeneral.gov.jm/wp-content/uploads/2018/03/MLSS-Compendium-Report-March-2018.pdf.*
Edmond Campbell, "Hundreds not on PATH list get payouts," Gleaner, June 24, 2020

Civic-actor response

A policy report published in July 2021 questioned the efficacy of the government's efforts to reach the most vulnerable. The Caribbean Policy Research Institute (CAPRI) conducted research on the socioeconomic state of vulnerable communities in Jamaica during the pandemic. The report, "Locked down, Locked out," found that cash transfers were not widely accessed by people in the most deprived communities."[15] This was primarily due to people being undocumented or to the lack of legal identification or a tax registration number, or both. Thus, the government's efforts were not fully realized, since not all of the neediest were able to access benefits.

This finding highlights the difficulty in reaching marginalized populations who lack identification, posing an inherent risk in regard to maintaining information controls. The report recommended that the prerequisites to accessing these benefits be strengthened to increase the potential impact of these initiatives (e.g., the implementation of a National Identification System) and that existing identification systems like BMIS be bolstered.

Lessons learned

As the COVID-19 pandemic compelled governments to deviate from normal fiscal procedures, it also obliged them to implement measures to ensure accountability. The government of Jamaica, through the supreme audit institution, the AuGD, did prioritize effective oversight of the country's largest stimulus package by requesting real-time auditing of the CARE program. These lessons were learned:

Governments can and should advance transparent and accountable budget processes, even during a pandemic. In Jamaica, the requisite preconditions for enabling the effective real-time auditing of the CARE program had been already established. First, the government actively engaged in practices that foster transparency and accountability. Second, the AuGD had a sufficient level of independence and funding to pursue its mandate.[16] Third, relevant ministries, departments and agencies were able to meet the demands of the AuGD. Finally, the AuGD was keen on establishing and strengthening relationships with its clients to build trust.

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[15]Obermuller, LauraJan. "Locked Down, Locked out: Vulnerable Communities in the Pandemic." July 2021, *https://www.capricaribbean.org/documents/locked-down-locked-out-vulnerable-communities-during-pandemic-july-2021*.
[16]Reyna Samuels and Monique Graham, "Following the Money," November 2020, *https://capricaribbean.org/documents/following-money-transparency-and-oversight-government-budget-process-jamaica*

Independent supreme audit institutions are important in building effective oversight, enabling audit institutions to pursue necessary audits objectively and impartially. A sufficient level of independence also builds trust between SAIs and public bodies. The ability of Jamaica's AuGD to adapt in conducting these audits shows that it has the independence and funding to carry out its mandate. For example, the Financial Administration and Audit Act, the Public Accountability and Management Act, and the Constitution give the department full discretion to conduct audits it deems necessary. In addition, although the budget is determined by the executive, the AuGD's funding level is consistent with the resources needed to fulfill its mandate.[17]

Countries should institutionalize digital databases in government agencies, allowing for interoperability among various information systems, which increases the timeliness, accuracy and relevance of data and creates the accessibility necessary to conduct real-time audits. This will accommodate agile principles in executing the real-time audits, shifting from traditional methods such as paper documentation to real-time database updates.[18] The digital infrastructure of the majority of Jamaica's ministries, departments and agencies (MDAs) was largely already in place to meet the demands of the AuGD. The finance and accounting function of most MDAs — including those integral to verifying information relevant to the CARE program — were already automated and providing information in an electronic format. Some agencies expressed reservations about allowing direct access to their databases, citing security concerns; the AuGD collaborated with its internal information technology team to provide assurance to clients regarding the steps taken to reduce the risks associated with granting direct access to their systems. The AuGD's efforts to build trust with clients improved its efficiency in accessing records to conduct audits.[19]

Oversight, especially during a crisis, is critical not only in empowering citizens to track public expenditure but also in ensuring that intended beneficiaries (typically, the marginalized) have access to and benefit from initiatives. The Jamaican government's request for real-time audits was consistent with existing efforts to promote transparency and effective oversight throughout the budget process. Such existing efforts included timely publishing of budget documents and the launching of the public investment map, allowing citizens to track capital expenditure.[20] Before the commencement of the audit of the CARE platform, Hon. Nigel Clarke emphasized that fiscal measures must be taken to encourage transparency. These measures included intervention methods that are easily understood and readily available to the government, the public and other stakeholders. Clarke added that the cost of such measures should be made public since the main funding source is the public purse.[21]

Under normal circumstances, teams work independent of supervision when conducting regular audits. In the case of emergencies, a manager works closely with teams and agrees to changes prior to release.

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[17]www.internationalbudget.org/sites/default/files/2020-05/jamaica-202002150030.pdf
[18]https://auditorgeneral.gov.jm/wp-content/uploads/2020/05/Audit-of-COVID-19-resource-allocation.pdf
[19]The issues outlined by some agencies regarding information technology security reasons, does not necessarily refer to the agencies involved in the real-time audit reports. Rather, it is a generalization of the clients served by the Auditor General's Department. "SAI capacity, performance and relevance during and subsequent to COVID-19," June 9, 2020, www.intosaicbc.org/9-june-qa-on-sai-capacity-performance-and-relevance-during-and-subsequent-to-covid-19/
[20]Reyna Samuels and Monique Graham, "Following the Money," November 2020, https://capricaribbean.org/documents/following-money-transparency-and-oversight-government-budget-process-jamaica
[21]https://mof.gov.jm/wp-content/uploads/Closing-Budget-Speech-2020-2021.pdf

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