



Barbados Audit Office

Report
of the
Auditor General
for the year

2017



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of the
Auditor General
for the year
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MISSION STATEMENT

The Mission of the Audit Office is to strengthen public accountability by providing fair and independent reports after careful examination of accounting records and use of resources.

THE GOAL

The goal of the Audit Office is to promote staff development, achieve a high standard of auditing and contribute to the general efficiency and effectiveness of the Public Service.



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July 06, 2018

His Honour The Speaker
The House of Assembly
Parliament Building
BRIDGETOWN

Sir,

In accordance with Section 113 (3) of the Constitution of Barbados and Section 38 (5) of the Financial Management and Audit Act, 2007 - 11, I forward for laying before the House of Assembly my Report of the examination of the accounts of the Ministries and Departments of Government, and of other financial statements and accounts required to be audited by me in respect of the financial year ended March 31, 2017.

A copy of the Report is transmitted to the Senate for information, in accordance with Section 38 (6) of the above mentioned Act.

Yours faithfully,

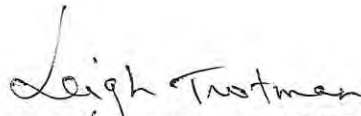

Leigh E. Trotman, CPA
Auditor General

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Report of the Auditor General 2017

Introductory Comments

This Report for the year ended 31st December 2017 has been prepared for submission to the Parliament of Barbados. It contains a summary of the major audits conducted by my Office in 2017, and is submitted for the information and consideration of Parliament. The Report includes matters arising from audits, and other information obtained from a number of Ministries, Departments and State Agencies. The observations in the Report are selective, and are considered to be of high significance. In a few instances the contents have been updated to include information received subsequent to the end of the reporting period.

2. The year 2017 has been extremely challenging for the Barbados Audit Office, as several factors combined to impact on the timely completion of the Annual Report. There was a shortage of Senior Management Staff during the year, with two senior posts of Professional Auditor being vacant, and one appointed Professional Auditor being on leave for half of the Audit Cycle. The shortage of staff for these positions increased the pressure on Senior Management to share the work-load, while carrying out their own assignments. In addition, there were 23 unfilled posts throughout the Office, and this impacted negatively on its work.

3. A new computer programme was introduced in the Office during the year, and staff had to be allocated to manage its introduction. This, along with the staff shortages and some organizational inefficiencies, significantly impacted the audit process and delayed the completion of the 2017 Report.

4. The challenges facing the Office are many, and threaten its ability to provide relevant up-to-date reports to Parliament. The Office has been assigned a significant role in the accountability process in Government, and needs to be provided with both the resources and operational autonomy to perform its mandate. It is obvious

that there needs to be some sort of delegation of function, or full autonomy in the recruitment of staff. This would certainly reduce the time consumed in the recruitment of process.

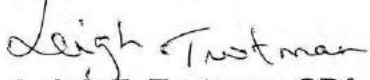
5. The findings resulting from the audit of the accounts of Government indicate a number of deficiencies affecting the accurate presentation of these accounts, and this needs to be urgently addressed. Given the current state of the Country's finances, it is imperative that accurate, up-to-date information is provided, but, based on the findings, this has not been the case. The lack of accuracy in the figures for revenue and liabilities represents a weakness, which needs to be addressed.

6. Ten years after Government has changed from the cash to the accrual basis of accounting, there is no system in place to ensure that transactions in relation to matters such as revenue collections, among others are recorded in accordance with International Public Sector Accounting Standards (IPSAS). A serious effort is required to have this matter urgently addressed.

7. The situation in relation to the audits of accounts of major statutory agencies being in arrears has continued. The inability to present accounts for audit is a serious matter, as the audit function provides assurance to stakeholders such as policy makers and the general public on how public finances are being accounted for. It also attests to the reliability of the information provided in the financial statements. In addition relevant up-to-date information is necessary for decision making purposes by the Government.

Acknowledgements

8. I would like to thank the members of my staff for their support, as well as the relevant officers from the audited bodies for their cooperation, as I look forward to a productive 2018.



Leigh E. Trotman, CPA

Auditor General

July 06, 2018



CHAPTER 1

GENERAL ISSUES

Introduction

This Annual Report of the Auditor General to the Parliament of Barbados is being presented in accordance with Section 38 (1) of the Financial Management and Audit Act (FMAA or the Act) 2007-11 which states that:

“The Auditor General shall report annually, as soon as possible and not later than the last day of December following the close of each financial year, the results of his examination of the accounts and any failure to observe the enactments or other laws of Barbados”.

- 1.2** The Auditor General is also required to prepare and deliver an audit opinion on the Financial Statements of the Government, which are prepared by the Accountant General in accordance with Section 36 (1) C of the Act. The statements produced by the Accountant General represent the activities of Ministries and Departments. The financial activities of other State Agencies such as Statutory Boards and Companies are reported on separately.
- 1.3** The Audit Office has a broad mandate for conducting audits on any Government agency. This mandate is derived from the Constitution of Barbados, and the Financial Management and Audit Act. Section 113 (2) of the Constitution requires the Audit Office to audit the accounts of the



Supreme Court, the Senate, the House of Assembly and all Departments and offices of the Government annually.

- 1.4 In accordance with Section 113 (2A) the Auditor General can also, on his own initiative, carry out examinations into the financial management of any State Agency, including the efficiency and effectiveness of the use of their resources in discharging their functions.
- 1.5 The Audit Office is therefore involved in three types of audits. One type (Compliance Audit) involves verifying whether the financial rules and other laws and procedures are adhered to, in respect of financial transactions. Another type (Financial Audit) involves the verification and accuracy of the figures reported in the Financial Statements. The third type (Performance or Value-for-Money Audit) focuses on whether there was efficiency and effectiveness in the use of resources. This latter type of audit assesses the management and operational issues facing an organization or any of its programmes.

Structure of Report

- 1.6 This report is divided into five chapters. Chapter One provides an indication of some of the challenges facing the Office in pursuing its mandate. The greatest challenge relates to the timely filling of vacant posts. This has been ongoing for a number of years, and is not likely to be accomplished in the short run for a number of reasons - mainly the slow recruitment process and the unavailability of enough suitable persons to fill vacancies.



- 1.7 Chapter Two consists of an analysis or review of the financial position and performance of the Government. The Treasury is challenged in providing accurate information on the state of Government's finances, and some major omissions and errors are commented on in this Chapter. Again, because of major omissions, I have issued an adverse opinion on the accounts of Government.
- 1.8 Chapter Three consists of a number of reports. These include a report on the audit of the Government's major revenue agency, the Barbados Revenue Authority, a review of controls in Government's payroll along with some general concerns from other Ministries and Departments. The audit of the Authority continues to be challenging, as relevant documentation on assets and liabilities was not readily available. The Authority needs to review the figures listed for its refunds and receivables, especially those brought over from its Legacy Agencies. Because of the aged nature of these items some write-down may be necessary.
- 1.9 Chapter Four of the Report presents the results of audits of Statutory Agencies audited by the Office of the Auditor General, and audits of Statutory Agencies carried out by Private Sector auditors. The main challenge in respect of these audits is the large number of Agencies with accounts that are not up to date. This is a long standing problem that has gotten steadily worst.
- 1.10 Chapter Five consists of a number of reports on special audits conducted by the Office. These include an assessment of the implementation of provisions of the Public Service Act. This Act offered a number of provisions for improvement to Human Resource Management, including the speeding up of the establishment of posts, the appointment of public



officers, and the enhancement of the disciplinary process. This chapter also focuses on the activities of the Transport Authority, as it relates to the issue of permits for public service vehicles, the operations of the Student Revolving Loan Fund, and the procurement practices of the Barbados Water Authority, specifically in relation to the acquisition of a number of water tankers.

Staffing

- 1.11** One of the greatest challenges being faced by my Office is having a cadre of officers who can effectively discharge their duties as auditors in a timely and professional manner. In order to facilitate this, there needs to be a timely recruitment of suitably qualified officers who are then provided with the requisite training. I have written on this matter on numerous occasions previously, but not enough progress has been made over the years. In fact, the situation in terms of vacancies has gotten worse. The Office as it is currently staffed does not have the manpower to carry out its work in an effective manner, as required by the Constitution and the Financial Management and Audit Act.
- 1.12** The Office has responsibility for the audit of all Ministries, Departments and Agencies of Government, and these include large and complex organizations such as the National Insurance Department. The Office also has responsibilities for conducting special reviews on the operational activities of all State Agencies. In order for the Office to function efficiently and effectively, the issue of the recruitment and training of staff must be addressed. I might add here, that a number of the agencies that are responsible for the staffing of the Office have provided the relevant assistance; for example, the Ministry of the Civil Service has approved the



level of staff positions requested by the Office, and the Ministry of Finance has provided the appropriate level of finance to fund the its operations. The timely recruitment of staff is however not being expeditiously addressed, and this is a cause for serious concern, since it has implications for the smooth functioning of the operations of the Office.

1.13 There are not enough members of staff to audit Ministries and Departments, and this has resulted in some Agencies not being audited for several years, which is not satisfactory. The Office also does not have enough senior staff to adequately supervise various groups, or perform such tasks as quality reviews and training. Some of the officers have to perform their roles and assist with other tasks, and this includes the Auditor General. I would add here, that it takes a bit of time to train audit officers, so that they reach a point where they can function effectively as auditors. Unlike the other areas of Government the Office does not have access to a trained pool of replacement workers to call upon, when there is a vacancy, and this situation needs to be appreciated.

1.14 The Office currently has a number of vacancies at all levels, and some action is being taken to fill them. However, the process is too long and drawn out, and in the majority of instances there is no one acting in the positions, some of which are being left vacant for too long a period. For example, the Office was allocated two senior positions for two years, however, no one was assigned to these positions during the period. There is therefore a need for the process of recruitment for the Office to be reassessed since the current situation does not allow for the timely filling of vacant posts.



1.15 The Audit Office should not be in such a position. In many other jurisdictions the Audit Office has the level of independence where it is responsible for the recruitment and training of its own staff. As a general rule, an audit office should not be reliant for resources on an entity it audits. This matter has been discussed extensively at the Public Accounts Committee meetings, and it has been accepted that the situation is intolerable. Members of the Committee have in the past indicted a readiness to assist the Office, and accept the need for it having greater autonomy.

1.16 I look forward to the necessary changes being made to allow the Office to have the responsibility for administering its own affairs, within the necessary accountability framework, in the years ahead.

Audit of the Accounts of the Office

1.17 The Audit of the Accounts of the Office for the financial year ended 31st March 2017 was conducted by auditors from the private sector, and forms a part of this Report. The accounts were given an unqualified opinion.

1.18 **These statements are shown at Appendix I.**

Attendance at Public Accounts Committee Meetings

1.19 The Auditor General and selected staff were in attendance at a number of Public Accounts Committee meetings during 2017. The major focus of these meetings continues to be the examination of issues pertaining to contractual arrangements of the National Housing Corporation's High Rise



Projects at the Grotto, and Valerie, St. Michael. This matter has been engaging the attention of the Committee for the past three years.

Audit of Accounts of Boards & Statutory Agencies

- 1.20** The timely submission of audit reports by state enterprises has been a major area of concern for some time. There are some State Enterprises which are able to have their accounts audited within four months after the close of the Financial Year, and this is commendable. On the other hand, there are numerous others which have not had their accounts audited for over three years and this list is growing. This situation is not acceptable, as an audit is required to provide independent assurance that the financial statements are fairly stated and that the Financial Rules and other regulations have been complied with.

Office Activities

- 1.21** The Office has been continuously seeking to provide opportunities for increasing the knowledge and upgrading the skills of its officers, and is currently updating its training programs, several of which are scheduled to be conducted in 2018.
- 1.22** Representatives from the Office attended a number of local and regional workshops during the year 2017. The attendance of staff at these events facilitates the sharing of knowledge and experience, which enhances the capabilities of staff and the operations of the Office in general.
- 1.23** The most significant activity was an in-house training workshop for Junior Auditors on Compliance and Financial Auditing. The training sessions



were conducted during the period 13th – 24th February 2017. Two members of staff from the Dominica Audit Office were also in attendance.

- 1.24** Four officers attended a seminar for Entry Level Officers in the Public Service in January, 2017. This seminar was conducted by the Training Administration Division.
- 1.25** Two Senior Auditors attended a workshop on Procurement Audit in Jamaica during the period 26th May – 6th June 2017. The workshop was sponsored by the Caribbean Association of Supreme Audit Institutions (CAROSAI). The main focus of the workshop was to provide support and guidance to participants in conducting procurement audits, in accordance with the international auditing standards.
- 1.26** Auditor General, Mr. Leigh Trotman, attended a CRECER conference in Mexico City during the period 6th – 7th June 2017. The overall aim of the workshop was to address critical policy issues that impact transparency, governance and accountability in the public and private sectors of countries in the Caribbean and Latin America.



CHAPTER 2

ANALYSIS OF GOVERNMENT FINANCIAL STATEMENTS

The Financial Statements of Government are prepared by the Office of the Accountant General (the Treasury Department) in accordance with Section 22 (2) of the Financial Management and Audit Act (FMAA), 2007-11. This Act requires the Accountant General to submit Financial Statements to the Auditor General by the end of July of each financial year. The Financial Statements for the financial year ended 31st March 2017 were submitted on September 19, 2017. It would in fact be preferable that these accounts be audited within four months from the end of the financial year. This is because of the need for up to date information by decision-makers and other users of the Financial Statements, as well as the fact that it is in keeping with international best practices.

Audit Mandate and Objective

- 2.2** In accordance with the provisions of Part IV, Section 36, of the Financial Management and Audit Act (FMAA), 2007-11, the Barbados Audit Office conducted the audit of the accounts of the Government of Barbados, which were prepared by the Accountant General, for the financial year ended 31st March 2017.



2.3 The objective of the audit was to express an opinion as to whether:

- the Financial Statements presented by the Accountant General gave a true and fair view, in all material respects, of the financial position of the Government of Barbados;
- the appropriate internal control systems existed and were adhered to; and
- the Financial Statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS).

Methodology

2.4 The audit was conducted in accordance with the auditing standards established by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require the auditor to plan and perform an audit to obtain reasonable assurance whether the Financial Statements are free of material misstatement. Audit procedures include examining, on a test basis, evidence supporting the amounts and other disclosures in the Financial Statements, and evaluating the accounting policies used, as well as the overall Financial Statement presentation.

Responsibilities of the Accountant General

2.5 The Accountant General is responsible for providing Parliament with Financial Statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS). These include related notes and schedules. To prepare Financial Statements in accordance with IPSAS, the Accountant General is required to make judgements, estimates and assumptions with regard to the application of accounting



policies governing the reporting of assets, liabilities, revenue and expenses. These assumptions need to be made available to the auditors.

- 2.6** Ministries and Departments are responsible for maintaining a system of internal controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained. This should allow for the preparation of summary Financial Statements by the Accountant General that are free from material misstatements, whether due to fraud or error.

Auditor Responsibility

- 2.7** The responsibility of the Audit Office is to audit the Government's Financial Statements and form an opinion based on the audit work conducted. The auditor also examines the extent to which the Financial Rules and other regulations and directives are adhered to. The INTOSAI auditing standards, by which the audit was conducted, outline the processes and procedures the auditor should follow in ensuring that the audit is carried out appropriately.
- 2.8** Audit procedures are performed to detect material misstatements in the Financial Statements. Materiality has to do with how significant an omission or misstatement in the Financial Statements would need to be, in order to be expected to influence or change the decisions of reasonably knowledgeable users relying on these Statements.
- 2.9** An audit is not designed to ensure that the Financial Statements are one hundred percent (100%) accurate, since it is not possible to verify all transactions. The audit is designed to gain reasonable, but not



absolute, assurance that the Financial Statements are free from material misstatements. The Auditor adds errors discovered and makes an assessment as to whether they would in aggregate cause the financial balances to be materially misstated.

2.10 The audit procedures selected depend on the auditor's judgement. The internal controls relevant to the preparation of the Financial Statements are assessed, in order to design suitable audit procedures.

2.11 The audit also includes evaluating the appropriate application of accounting estimates (i.e. bad debt expenses) in the preparation of the Financial Statements. All of the above factors have been considered in carrying out this audit on the Financial Statements of the Government.

Scope of Government's Financial Statements

2.12 The Government of Barbados has adopted the International Public Sector Accounting Standards (IPSAS), which require the presentation of the Financial Statements on an accrual basis. Under these standards the accounts of the Government should include reports on the financial activities of Ministries, Departments and Government owned and controlled entities.

2.13 Government's Financial Statements, compiled by the Accountant General's Department (the Treasury), do not represent all entities owned and controlled by Government. They encompass all Ministries and Departments, and exclude Statutory Boards and Government owned companies; these agencies report the results of their operations separately. It should however, be noted that in order to be compliant with the accounting standards, there should be a consolidation of the accounts of Ministries, Departments and all entities which are



controlled by Government and receive budget support. This needs to be done as a matter of urgency.

2.14 The Financial Statements presented by the Treasury and examined by my Office were as follows:

- Income and Expenditure Statement
- Statement of Financial Performance
- Cash Flow Statement
- Balance Sheet
- Statement of Changes in Net Assets/Equity

Key Finding

2.15 In summary, the statements of accounts as presented for 2017 did not fully comply with the International Public Section Accounting Standards (IPSAS).



Analysis of Financial Statements

- 2.16** This section of the Report provides an analysis of the Financial Statements of the Government, as presented by the Accountant General. These statements report on the financial activities of the Government. The audit opinion which is expressed on these statements indicates that the numbers presented for expenses and liabilities would be different, were my concerns addressed. It is therefore important for readers to be cautioned that the numbers presented may not give an accurate representation for their purposes.

Revenue

- 2.17** The overall revenue for the year totalled \$2.915 billion, which was \$333 million more than the amount collected in the previous financial year. There was an increase in revenue of \$212 million derived specifically from taxation, with the main contributing factors being increases in Goods and Services, \$101 million and Income and Profits \$98 million.
- 2.18** In respect of non-tax revenue, this component increased by \$121 million. The main items which showed increases were Levies, Fees, Fines and Penalties, which increased by \$50 million, due mainly to gains made by the Training Levy. The other major increase was \$72 million in non-tax revenue, recorded under Other Revenue. It should however be noted that this increase was erroneously recorded, since it related to an adjustment pertaining to the previous financial year, and should not have been included in the revenue total for 2016-2017.

**2017 Revenue**

	Approved Estimates \$	Actual Revenue 2016 \$ (a)	Actual Revenue 2017 \$ (b)	Change Increase/ (Decrease) \$ (b-a)
Revenue	2,734,505,075	2,582,256,596	2,915,334,096	333,077,501
Taxation	2,578,812,901	2,394,075,401	2,606,034,369	211,958,968
Non Tax	132,498,344	165,596,202	286,799,538	121,203,336
Annexed Revenue	23,193,830	22,584,993	22,500,190	(84,803)

Expenditure

- 2.19** Total expenditure for the financial year was \$3.267 billion, which was \$77 million less than the previous financial year. The major contributing factors to this decrease were reductions in Capital Transfers (Grants) by \$89 million and Subsidies (\$13 million). There were however, increases in Interest Expenses of \$72 million.

Deficit

- 2.20** The Financial Statements reported an overall deficit of \$352,426,862 million, as compared with the deficit of \$762,596,105 million for the previous year. This deficit was \$271 million lower than forecasted in the revised budget. This was the lowest deficit recorded over the last six years.



- 2.21** The better than anticipated improvement in the deficit position was a result of the increases in revenue recorded. Readers should however be cautioned that non-tax revenue was overstated by \$72 million.

**Summary of Government's Financial Performance
Over the Past Five Years**

Year	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$
Revenue	2,448,620,515	2,339,512,136	2,446,375,408	2,582,256,597	2,892,833,906
Expenditures	3,274,721,140	3,322,374,971	3,144,046,963	3,344,852,702	3,267,760,959
Deficit	(826,100,625)	(982,862,835)	(697,671,555)	(762,596,105)	(352,426,862)



Commentary on Notes to the Financial Statements

- 2.22** The notes to the Financial Statements form an integral part of their presentation, as they provide users with the necessary explanations and additional information they require to gain an adequate understanding of the statements. Notes provide narrative descriptions of items disclosed in the statements, and information about items that do not qualify for recognition in the statements. Several areas were observed in which the presentation of the Financial Statements was deficient, as follows:-

Risk

- 2.23** The notes did not contain enough information on certain risks facing the Government, and how these risks were being managed, for example, interest rate risk as a result of increased short-term borrowing, and changes to interest rates. The notes should also show how Government manages the risk of not meeting its current short-term financial obligations.

Paymaster Account

- 2.24** The balance reported in the financial statements for the Paymaster Account at 31st March 2017 was \$349,521,342. This figure comprised the value of all un-presented payable orders and pension cheques, as well as un-cleared wire transfers. These instruments are only cleared against the Treasury's bank account when presented. This total is substantial and a note explaining this item should have been appended to the Financial Statements to allow users to better understand this aspect of the financial position of Government.



Contingent Liabilities

- 2.25** There was a disclosure of contingent liabilities at Note 19 of the Financial Statements. However, the accounting standards (IPSAS) require that a brief description of the nature of the contingent liability be disclosed. This was not completed for all contingent liabilities.

Provision for Bad Debts

- 2.26** For each class of provision for bad debts the accounting standards (IPSAS) require an entity to disclose:
- (a) Additional provisions made in the period, including increases to existing provisions.
 - (b) Amounts used (that is, incurred and charged against the provision) during the period.
 - (c) Unused amounts reversed during the period.”
- 2.27** It was noted within the Financial Statements that bad debts expense was recognized as \$20,641,925; however, there was no indication whether this was a result of the above criteria. These details would provide users of the Financial Statements with pertinent information regarding the composition of the bad debt expense.
- 2.28** A directive from the Ministry of Finance indicated that the provision for bad debts should be equivalent to two percent (2%) of the accounts receivable. The provision was not calculated at this percentage in relation to the accounts receivable, and, as a result, was grossly overstated.



Consolidation of Financial Information of Entities

- 2.29** The summary Financial Statements compiled by the Treasury do not comprise all entities owned and controlled by Government. They encompass all Ministries and Departments, and exclude Statutory Boards and Government-owned companies, which report the results of their operations separately. The accounting standards (IPSAS) require a consolidation of the accounts of Ministries, Departments and all entities controlled by Government which are in receipt of budget support.
- 2.30** The implications of not consolidating are that the total aggregate financial position of Government, including outstanding liabilities and assets, would not have been presented in the Financial Statements, and this should have been shown in the notes.

Information Highlighting the Need for Consolidation

- 2.31** As at 31st March 2017, the accounts of State Agencies had not been consolidated into the Financial Statements of Government as required by International Public Sector Accounting Standards (IPSAS). Many of these agencies have large outstanding commitments such as loans and other payables, which could make a significant difference to the overall picture of Government's financial situation, if the consolidation was to take place.
- 2.32** Information was obtained on thirty-seven (37) agencies, which revealed combined liabilities (including Pending Legal Obligations) of one billion dollars (\$1 B). This is a significant figure, and the absence of information on the remainder of the agencies surveyed indicates that



the figure, and therefore the potential impact on the public finances, could be even greater.

2.33 A number of large entities (such as those listed below) were among the agencies which did not submit information as requested:

- Barbados Water Authority
- Barbados Tourism Investment Inc.
- Queen Elizabeth Hospital
- National Petroleum Corporation

2.34 The information provided by the agencies does not, by itself, give a complete indication of the financial health of each institution, but it does point to large outstanding liabilities which need to be monitored overtime, and which, in many instances, could ultimately be the responsibility of the State.

2.35 It also serves to confirm how the absence of consolidated Financial Statements could result in the Government, the Public and other Stakeholders not having a comprehensive view of the situation facing the public finances, which, in my view, is vital for decision making purposes.

2.36 The results of the survey on the indebtedness of state agencies can be found at Appendix II.

**Note 8 – Receivables**

- 2.37** The notes should indicate that \$648.9 million of the receivables relate to advances to State Enterprises that rely on Government for virtually all of their funding needs. It is therefore unlikely that all of these receivables are collectable. Hence, an appropriate provision needs to be made to reduce the carrying value of these assets.

Sinking Fund Assets

- 2.38** Sinking Fund investment assets were shown as \$626.4 million in the notes to the Financial Statements. Forty-seven per cent (47%) of these funds, which were established to assist the repayment of various debts, have been invested in Government securities. This information should be recorded in the notes, because of the liquidity risk involved in these funds not being available when needed to assist with debt repayments.

Investments – Equity

- 2.39** The Financial Statements recognize equity investments which total \$281,746,018. However, further disclosures as to the method of recognition of these investments should have been included in the accompanying notes. There should also have been a schedule provided which compares the cost and fair value of these assets. In the absence of such information, it could not be determined whether these assets were recorded at lower of cost or fair value, as indicated within the accounting policies stated in the Financial Statements. Given the large values of these investments, there is a high risk that these figures could be incorrectly stated.



General Comments

- 2.40 The notes to the Financial Statements provide users with valuable information to make informed decisions. The lack of adequate disclosures results in users not having an accurate picture of the accounts. It was indicated that a lack of resources impacts on the Treasury Department's ability to source expertise needed to tackle specialized areas such as the application of accounting standards like IPSAS. Assistance in this area would be invaluable to the Department's ability to adequately prepare financial information in accordance with the accounting standards.

2.41 **Recommendations**

Significant amounts listed in the Financial Statements and accounting policies should be adequately disclosed and explained in the notes attached. Also, departures from policies should be highlighted, ensuring that this aspect of the accounts is compliant with the accounting standards being followed and clearly understood by users. These disclosures would give users a better understanding of the financial risks and possible commitments facing the Government.



Report on Government's Assets

Loan Receivables

- 2.42** Loans to statutory entities totaled \$1,110,646,643 as at 31st March 2017. These Organisations are required to repay the amounts advanced. However, no loan repayments/reimbursements were received for the financial year from accounts containing the majority of the advances. These accounts need to be assessed and their realizable value recorded.
- 2.43** Many of the sums advanced relate to State Agencies which lack the capacity to repay, for example, a \$60 million advance to the Transport Board. In other cases there is uncertainty about the value of the receivables. This would include the advance made to Clearwater Bay with respect to the Four Seasons Project. There is no current information on this asset that would help in the assessment of its value.
- 2.44** A sample of these organizations and related details is shown in the following table:

Name of Entity	Agreement Documented	Account Code	Amount Owed \$	Owed From
Barbados Tourism Investment Inc.	No	625 ABT 100	141,500,000	31 st March 2009
Barbados Tourism Investment Inc.	No	625 ABT 101	13,757,498 2,211,037	31 st March 2009 31 st March 2010
Barbados Tourism Investment Inc.	No	625 ABT 201	3,382,670	31 st March 2009
Small Hotel Investment Funds	Yes	625 AGF002	28,000,000	31 st March 2008



Name of Entity	Agreement Documented	Account Code	Amount Owed \$	Owed From
Clearwater Bay (guaranteed loan taken over)	No	625 ACW001	120,000,000	31 st March 2013
Barbados Agricultural Management Co.	No	ABM 001 & AMC 001	6,184,451 12,574,403 46,126,162 1,250,000 16,522,976 254,542,216	31 st March 2010 31 st March 2012 31 st March 2013 31 st March 2014 31 st March 2015 31 st March 2016
Rural Development Commission		625 ARD001	6,400,000	31 st March 2012
Sanitation Service Authority		625 ASS001	4,257,610	31 st March 2013
Urban Development Commission		625 AUD001	1,600,000	31 st March 2012
Transport Board			60,000,000	31 st March 2017
			718,309,023	

Needham's Point Ltd.

2.45

During the financial year 2004/2005 an amount of \$4,666,781 was advanced to Needham's Point Holdings Limited (a Government owned company) to facilitate the construction of the Hilton Hotel. The agreement was signed by the parties on 23rd June 2005. The loans carried an interest rate of 2.5% on the reducing balance. As at 31st March 2017, a total of \$6,175,285.57 inclusive of interest due was owed by Needham's Point Holdings to the Government. The Company has so far failed to make any payment toward the loan principal. In this regard, no evidence was submitted for audit inspection that would



indicate whether efforts had been made to recover the outstanding debt.

Loans to Non-Governmental Agencies

- 2.46** Southern Golf & Country Club, a non-governmental agency, was advanced \$2,000,000 during the financial year ended 31st March 2010. As at 31st March 2017, no reimbursements had been received. This loan should be assessed to determine if it is collectable.

Revenue Receivable

- 2.47** The figures recorded as receivables by the Treasury differed substantially from the corresponding figures obtained from the Barbados Revenue Authority, the main collection of Government's revenue. For example, the receivable for Value Added Tax was shown by the Treasury as \$594 million, while the Authority reported \$673 million, and the figure for Income Tax Due was reported by the Treasury as \$217 million, while the Authority reported \$12 million. The figures reported in the Financial Statements should virtually mirror the corresponding records of the Revenue Authority. Urgent action needs to be taken by the Treasury to ensure that the correct amounts are reported.
- 2.48** There are some accounts where the receivables figures have remained unchanged for a number of years. The value of these accounts was \$1.9 Million. These accounts should be investigated to determine the accuracy of their balances:



Pension Reimbursements

2.49 Pensions were paid by the Treasury on behalf of certain State Agencies. However, no agreements were made available outlining the terms and conditions for the repayment of these advances. Also, there was no evidence to indicate that the recovery of these funds was being vigorously pursued.

2.50 The following indicates the balances owed by these entities as at 31st March 2017:

Account No:	Agency	Balance \$
19 112 1310 625 11625115 ARD002	Rural Development Commission	379,862.93
19 112 1310 625 11625200 APM200	Urban Development Commission	167,921.87
19 112 1310 625 11625200 APA104	Barbados Water Authority	409,802.04

2.51 It was indicated that the amount owed by the Barbados Water Authority should be paid by the Insurance Corporation of Barbados; however, the balance has remained outstanding since the financial year ended 31st March 2012.

2.52 Action should be taken to recover these amounts, and this could be facilitated through an adjustment to subventions of the relevant agencies.

Statements of Receivables

2.53 Ministries and Departments are required to submit statements of receivables to the Treasury Department for inclusion in the Financial Statements. For the financial year ended 31st March 2017, no



adequate information was received by the Accountant General's Office, in support of the balances recorded for several accounts. Therefore, the basis for the amounts presented in the Financial Statements in respect of these accounts could not be determined. A sample of these accounts is as follows:-

Sub-Item	Account Balance as at 31st March 2017 \$	Ministry/Department
SRS300	44,908,536.43	Training Levy
ATL 500	5,519,282.04	Telecommunications Licenses
RFA 101	921,344.55	Analytical Services

Receivables - Accommodation Advances

2.54

Public Officers are granted advances to pay for accommodation when travelling on overseas business. These amounts are recorded in the Accommodation Advance Account, and expensed when statements are provided by the officers on their return. The Accommodation Advance Account reported a total balance of \$1,923,134, as at March 2017. A number of accounts with a total balance of \$335,182 had no transactions during the financial year. This amount, and the dormancy of some accounts, suggests that not all expenses have been reported when officers returned from overseas travel. As a result, expenses are understated and the Accommodation Advance Account overstated. A number of transactions in these accounts need to be investigated, and relevant corrective action taken to ensure that they correctly reflect the current state of affairs.



Unrecorded Receivable

- 2.55 Confirmation was received from the Barbados Agricultural Credit Trust Ltd. which indicated that \$843,516 was owed by this entity to Government. However, this receivable was not included within the Accounts Receivable general ledger. The reason for this omission should be investigated and the outstanding amounts brought to account.

Inter-American Investment Corporation

- 2.56 The investment account SAC725, which represents amounts paid to the Inter-American Investment Corporation (IAIC) for the purchase of shares, showed a balance equivalent to US\$ 550,072.40 which indicated the purchase of 34 shares at US\$ 16,178.60 per share. However, documentation indicated that only thirty shares were purchased. The overstatement of BDS \$131.046.66 would have been recorded within the general ledger investment account related to the Inter-American Investment Corporation. This matter needs to be investigated and any necessary adjustments made.

Sinking Fund

- 2.57 The Sinking Fund represents amounts that Government has set aside to assist with the repayment of various debts. The general ledger indicated a balance of \$626,453,195 as the value of the Sinking Fund.
- 2.58 A request was made for a schedule to be provided which clearly outlined the method used for calculating the value of the Sinking Fund. This would assist in ascertaining whether the total Sinking Fund figure calculated complied with the relevant legislation. However, this



schedule was not provided for audit inspection and therefore it could not be determined if the amount recorded for the Sinking Fund was accurate.

Capital Assets (Other than Land)

- 2.59** The significant accounting policies of the Government require assets to be revalued after three years. However, overseas property and buildings owned by the Government were not revalued as required. Therefore, the current values of these assets could not be ascertained. This omission has implications for the accurate recording of Government's assets.

Demolished and Derelict Buildings

- 2.60** Some buildings were either demolished or categorized as derelict, and as a result should have been removed from the Fixed Assets Account. This was not done, with the result that the reported total of Fixed Assets is misstated in this regard. This issue was noted in the previous audit report, but so far no action has been taken to correct the omission. Examples are listed below:

Derelict Buildings	Demolished Buildings
Enmore Complex	Christ Church District Hospital
Haggatts Agricultural Station, St. Andrew	Nurses Association Building, St. Michael
	Public Bath, Watkins Alley, Suttle Street

Fixed Assets Ledger

- 2.61** Capital Assets shown in the Financial Statements totalled \$3,190,523,786. A subsidiary ledger showing the individual assets



owned by Government was not provided for audit inspection. Therefore, the accuracy and completeness of this Capital Assets value could not be ascertained. This total represents forty-five percent (45%) of total assets, which is significant.

Assets Under Construction

- 2.62** Assets under Construction, representing capital assets not completed, increased to \$429,113,226 at year end, from a total of \$322,534,741 in the previous year, an increase of \$106,578,485. However, certain assets under construction were not transferred to the Fixed Assets Account when construction activity was completed, thereby preventing the correct classification, and prohibiting the depreciation of those assets. The figure shown for Assets Under Construction was therefore overstated.

Asset Policy not Adhered to

- 2.63** The International Public Sector Accounting Standards (IPSAS) allow up to five years after their implementation for an entity to account for all its capital assets. In accordance with Government policy, this should have included road networks, bridges and traffic management systems. However, these assets were not included, even though the five year period has elapsed, so the Financial Statements are not in compliance with the standards in this regard.

Accounting for Fixed Assets

- 2.64** The Financial Statements should disclose a reconciliation of the carrying amount at the beginning and end of the period, showing the additions, disposals, increases or decreases resulting from



revaluations, impairment losses and depreciation as required by the Public Sector Accounting Standards. This action was not taken by the Treasury.

Bank and Cash - Treasury's Bank Accounts

- 2.65 Reconciliations were not received for all bank balances. This increases the risk of fraud and undetected errors occurring. A listing of these balances is noted below:

Sub-Item	Description	Balance as at 31 st March 2017
BTR 001	Barbados National Bank (Republic Bank)	1,966,318
BTR 002	First Caribbean International Bank	23,949,799
BTR 003	Central Bank of Barbados	(21,294,388)

- 2.66 There were some general ledger accounts representing bank balances which were in credit, indicating that they were in an overdraft position. Financial Rule 91, requires that Government entities' bank accounts should only be in an overdraft position by authorization of the House of Assembly. The affected agencies should be asked to provide explanations for the state of these accounts. Examples are as follows:-

Account Number	Details of Account	Amount BD\$
Bank Accounts (602)		
BOE 011	Barbados Liaison Service Miami	-30,205.35
BOE 016	Embassy of Brazil	-46,583.91
BSS 641	Alleyne School	-178,777.47
BSS 645	Combermere School	-180,021.88
		-435,588.61



Cash Deposit Account

- 2.67** The amount recorded as Cash On Hand for the Licensing Authority was reported as \$474,550.47 at 31st March 2017. This is the same figure reported as at 31st March 2014. This account represents amounts collected by the agency, and which should ultimately be reported as revenue. However, some amounts might remain on the books as Cash On Hand because the related deposit slips were not sent to the Treasury. This matter should be investigated.

Dishonoured Cheques

- 2.68** Dishonoured cheques which originate from Departments which collect small amounts of revenue are brought to account in the Sundry General (Receivable) Account (SAC 621 SRS200). This account in the general ledger carried a balance of \$404,625 at the 31st March 2017. There was, however, no sub-ledger identifying the entities to which these amounts could be traced. The absence of a sub-ledger makes it difficult to determine which Departments are responsible for the recovery of the various dishonoured cheques that make up the balance in the account.

Pension Paymaster

- 2.69** The Pension Paymaster account represents the value of the pension cheques outstanding on the Treasury's bank account at the Central Bank. The amount of cheques cleared should never exceed the amount of cheques recorded within this general ledger account. However, it was observed that this occurred to the tune of \$5,616,473.26. This would suggest that more cheques were cashed than were issued. This matter needs to be investigated and corrected.



Unverified Balances for Unpresented Cheques

- 2.70** A listing of unpresented cheques was requested to support the balances reported in the Financial Statements. However, no listing was provided; therefore, it could not be determined whether the balances stated were accurate or complete for the following accounts.

Account No	Balance as at 31 st March 2017 \$
2 11602900 BPA001	33,232,607
2 11602900 BPA004	321,905,208

General Comments

- 2.71** The total of receivables, inclusive of net receivables, loan receivables and receivables from public sector officers, amounted to \$2,533,260,429 as indicated within the Financial Statements. A significant amount of these receivables appears uncollectible, as some of them have remained outstanding for a number of years. Receivables figures from the Revenue Authority were significantly different from those reported by the Treasury, and no satisfactory explanations were provided.
- 2.72** Ministries and Departments are instructed at section 7.14.4 of the Instructions to Ministries and Departments Handbook that the allowance for bad and doubtful debts should be calculated based on specific debts which are not likely to be collected, as well as a general allowance based on a proportion of debts outstanding. There should



therefore be some analysis of the debt outstanding to Government, to arrive at a reasonable figure for receivables.

2.73 The lack of confirmation of fixed assets balances (non-financial balances), accounts receivable balances and bank balances, which are material to the Financial Statements, resulted in the Audit Office not being able to verify the amounts representing these items. The Fixed Assets balances totalled \$3,190,523,786, and bank balances amounted to \$108,866,083.

2.74 Some of the issues highlighted here have been drawn to the attention of the Accountant General on several occasions, yet no corrective action has been taken to ensure accuracy in the reporting of Government's financial information.



Report on Government's Liabilities

- 2.75** In a number of instances the totals in respect of liabilities were not correctly disclosed within the Financial Statements, as required by IPSAS 1, and some totals were not supported by the relevant information as follows:-

Current and Long-term Liabilities

- 2.76** The Financial Statements reported \$970,144,839 as short-term debt and \$8,619,560,958 as long-term debt. This information could not be confirmed as correct, as a supporting aged debt schedule was not provided for audit inspection. It is important for stakeholders to know what portion of Government debt is short term, and that which is long term. This information should have been properly disclosed, as it would also have implications for an understanding of the Treasury's management of cash during the year.

Loans - Commitment Fees

- 2.77** A Commitment Fee of one percent (1%) is charged to the undisbursed amount of approved loans acquired by Government. A total of BDS \$3,290,162 was charged as Commitment Fees for the financial year under review. These fees are charged for the period when a loan has been approved but no drawdowns have taken place. There is a need to ensure that the relevant drawdowns are made in a timely fashion, to avoid the payment of these charges. The table below indicates some loans which incurred significant Commitment Fees for at least two years. An investigation should be conducted in an effort to remedy this situation.



LOAN DESCRIPTION	Loan ID#	COMMITMENT FEES		
		2015	2016	2017
CITI Bank N.A. US \$67.9M BWA	YCB100	-	220,643.16	242,585.22
CDB Loan-26 OR-BAR Education Sector Enhancement Project 11	YCD120	-	673,992.94	415,528.24
CDB Loan-25 OR-BAR Low Income Housing Project	YCD121	343,110.96	671,183.74	396,233.42
CDB Loan 31/OR-BAR Speightstown Flood Mitigation Project	YCD126	-	87,685.00	92,400.00
		397,293.68	1,696,994.94	1,179,903.40

Treasury Notes & Debentures

2.78 A figure of \$6,146,566,856.96 was recorded for Treasury Notes and Debentures in the Statement of Financial Position. On the other hand, an amount of \$6,157,974,000 was reported in Schedule 9 to the Financial Statements, resulting in a difference of \$11,607,143.04 between the two figures reported. There should have been no difference between these figures, which should have been reconciled.

2.79 There was no evidence provided to confirm that the balances held by the Treasury were reconciled with each other, or with the relevant data from the Central Bank, which submitted a figure of \$6,158,174,000 to the auditors.

2.80 The following table demonstrates the differences highlighted above:

Details	Amount
Schedule 9 of the Financial Statements	- 6,157,974,000.00
Note15 to Statement of Financial Position	- 6,146,566,856.96
Difference	- 11,407,143.04



Treasury Bills

- 2.81** The Financial Statements, Note 15, reported the balance of Treasury Bills as \$3,512,157,657. A subsidiary ledger was presented which indicated a balance of \$3,476,376,298, a difference of \$35,781,359. The total of this ledger should equal the amount reported in the Financial Statements. It is important for the Treasury to reconcile the Statements' balances to those of the general ledger, to provide confidence that the figures are accurately reported.

Pension Deposit Account

Subsidiary Ledger

- 2.82** The pension deposit account DOP001 contains the records of the money returned on behalf of deceased pensioners or returned by banks due to incorrect banking information supplied. The general ledger balance for these funds as at 31st March 2017 was \$3,062,290, some of which is still owing to various pensioners. No subsidiary ledgers were presented indicating the persons who were owed. This practice will create challenges in determining outstanding amounts due to individual pensioners.

Omission of Pension Liability & Other Employee Benefits

- 2.83** International Public Sector Accounting Standards (IPSAS) 25, Employee Benefit, stipulates that unclaimed employees' benefits should be accounted for (accrued). This includes both short term benefits and long term benefits, such as Public Service pension obligations. These liabilities were, however, not brought to account in the Accountant General's Report as at 31st March 2017.



Dormant Accounts

- 2.84** A number of inactive (dormant) accounts with balances totaling \$11,515,499 was identified. These accounts should be investigated and closed if it is determined they are no longer needed.
- 2.85** Accounts payable should be paid off within a year; however, it was noted that items with balances totaling \$3,061,412.92, which were brought forward from the previous year, had recorded no activity. These amounts should be investigated to ensure that the system is not being misused.

Other Payables

- 2.86** The Revenue Authority reported tax refund payables of \$240 million at the end of March 2017; however, this amount was not included in the records of the Treasury.



Other Audit Issues

- 2.86** Deferred Revenue refers to amounts received in advance for the payment of taxes, and recorded as liabilities. In this regard the Treasury's Deferred Revenue general-ledger account contained a balance of \$49.6 million. It should be noted, however, that this contrasts with \$7.3 million reported by the Barbados Revenue Authority, the main revenue collection agency. No subsidiary ledger listing the individual accounts that comprise this total was provided for audit inspection. The origin of this figure is not clear and the balance stated therefore could not be verified.

Tax on Betting

- 2.87** There has been a lack of information provided to the Treasury in respect of the revenue earned from tax on betting, as it relates to the activities of the Barbados Turf Club. This has been occurring since 11th July 2012. The absence of information on funds due from betting results in the underreporting of revenue, and of the accounts receivable, in the Financial Statements.

Pension and Cost of Living Expenses

- 2.88** It was noted that some totals from the pensions pay sheets were not transferred to the general ledger, resulting in the expense for pensions being understated by \$5.15 million in the Financial Statements. The relevant transactions are noted in the table below:



Paysheet Details	Amount
	\$
PG20160605	1,314,345.84
PG20161202	1,456,671.15
PG20170303	562,180.46
PG20170305	1,871,069.03
Total	5,206,266.48

Pension Life Certificates

- 2.89** As a control measure, pensioners were required to present Life Certificates to the Treasury Department, in order to ensure that benefits were not processed for payment in respect of deceased persons. This procedure was not properly organized, proved to be overwhelming, and was subsequently discontinued. Some replacement control is required, to ensure that payments are not made to the accounts of persons who are deceased.

Classification of Expenditures

- 2.90** A number of expense accounts incorrectly carried credit, rather than debit, balances. The most significant account relates to a bad debts expense account for International Transport, which recorded a balance of \$975,154. This issue should be investigated, as this could be an indication of a number of misstatements within these accounts.

Internal Audit

- 2.91** Some improvements are required to ensure that the Treasury's Internal Audit Section operates effectively, so that increased reliance can be placed on the work of this Section. The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, consistent with Internal Audit Standards. The internal audit



activity should evaluate risk exposures relating to the Department's governance, operations, and information systems. Internal Auditors should also ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. This is, however, not the current focus of the Internal Audit Unit of the Treasury.

Public Enterprise Investment Fund (PEIF)

2.92 As reported in previous audit reports, the PEIF Act was repealed in November 2010 as per the Financial Administration (Public Enterprise Investment Fund) (Repeal) Act 2010-19. All the resources of the PEIF should have been transferred to the Consolidated Fund. To date this has not occurred.

2.93 The Public Enterprise Investment Fund's Financial Statements as at 31st March 2010, and the final statement as at 9th November 2010, have to date not been presented for audit examination. These omissions impacted on the accuracy of the Financial Statements presented.

Issues Pertaining to Custody & Control of Cheques

2.94 There were a number of problems pertaining to the issue and custody of cheques. These included the following:-

- (a) Cheques numbers 45002 to 45004 were missing and unaccounted for.
- (b) A list was not maintained for obsolete cheques stored in the vault.



- (c) The name of the officer receiving cheques was not recorded in the cheque register in some instances.
- (d) A number of cancelled cheques were not provided for audit inspection.
- (e) There were instances where the quantity of cheques cancelled was recorded, but not the cheque numbers.
- (f) A number of Barbados Licensing Authority and Payroll Cheques were stored on the shelf and not in use. A record of these cheques was not kept.

These matters need to be addressed in order to prevent the possibility of any fraudulent activity occurring.

Documentation not Presented to Auditors

2.95 The Financial Management and Audit Act, Section 39, provides that the Auditor General should have access to all relevant information from the audited body, and every facility should be given for carrying out an examination. The following information was not submitted for audit inspection as requested:

- (a) Reconciliation statements for accounts at the Central Bank,
- (b) A public debt aged analysis report,
- (c) Unclaimed and Undistributed Monies sub-ledger for the financial year 2016-2017,



- (d) A list of Transfers to the Consolidated Fund for the financial year 2016-2017 (Some of these accounts were transferred to the Consolidated Fund at the conclusion of the financial year),
- (e) Unpresented Cheques - Central Bank, as at 31st March 2017,
- (f) Uncleared Wire Transfers as at 31st March 2017,
- (g) Unpresented Pension Cheques as at 31st March 2017,
- (h) Overdrawn Salaries Subsidiary Ledger as at 31st March 2017,
- (i) A disposal schedule for the years ended 31st March 2017 (The schedule should include the sale proceeds, cost, net book value at the date of sale, and the gain or loss on disposal of the asset),
- (j) Depreciation schedules according to Asset or Classes of Assets, (This should include the rate of depreciation, the class of asset, the opening balance of depreciation per class of asset, and the amount of depreciation charged for the current financial year, 2016-2017),
- (k) Reconciliation of the temporary borrowings account, SAC 831.



Conclusion

- 2.96** The Government's Financial Statements are deficient as they do not contain relevant information of all entities owned or significantly controlled by Government. The lack of consolidation of all relevant entities misstates the financial position of Government, and is not in conformity with the International Public Sector Accounting Standards (IPSAS).
- 2.97** The amounts recorded for payable accounts differed substantially from the information held by the relevant revenue agencies. This matter needs to be addressed, as it results in the information presented not being reliable and does not present a fair picture of Government's indebtedness.
- 2.98** The inability to fully reconcile the general ledger bank accounts' balances to the bank statements increases the risk that the balances are inaccurate, and that errors are undetected. The auditors have continued to highlight the importance of this matter for several years, yet there has been little improvement to the situation.
- 2.99** Improvement in the internal control system is necessary, as this would reduce the risk of fraudulent activity occurring. There also needs to be improvement in the internal audit section, the monitoring of receipts and cheques, and the provision of documentation to the Audit Office.

Audit Opinion

- 2.100** In my opinion, based on the effects of the matters outlined, the Financial Statements presented for audit did not in all material respects fairly represent the financial position of the Government of Barbados.



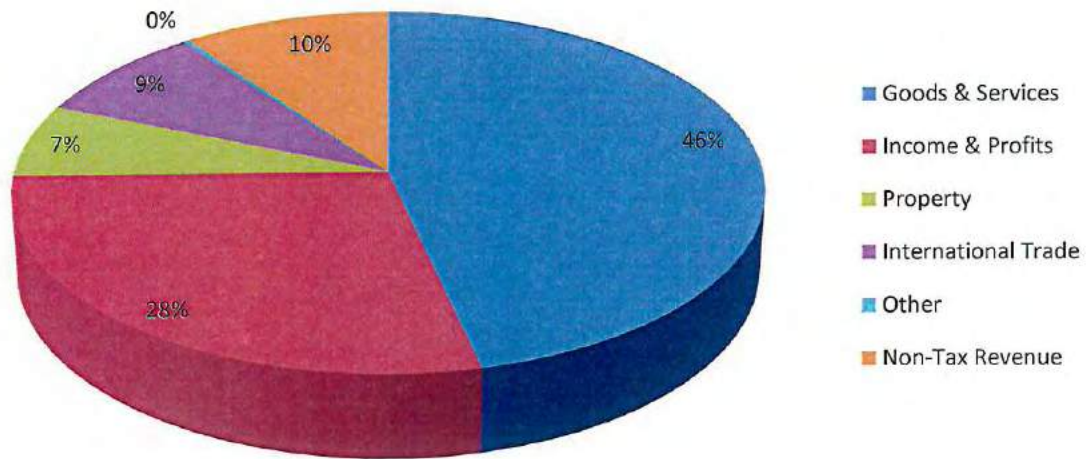
Graphical Presentation of Government Expenditure and Revenue

- 2.101 The following graphs represent the distribution of Government expenditure and revenue during the financial year.



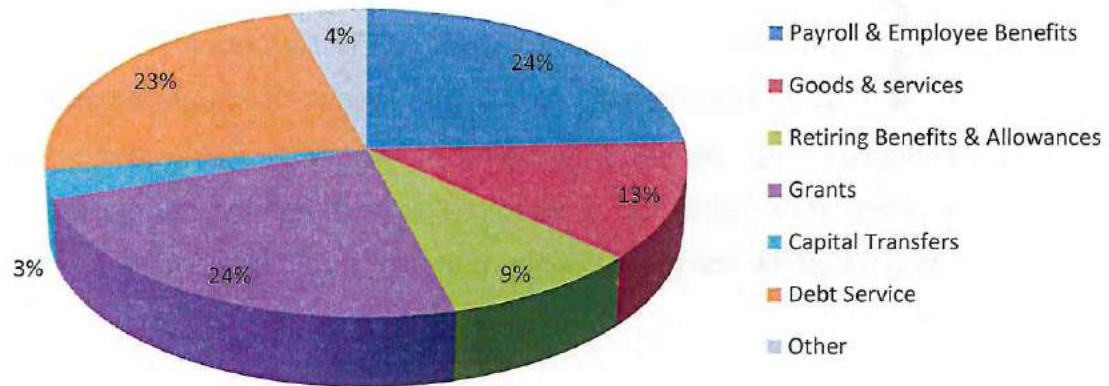


Total Revenue 2016 - 2017





Total Expenditure 2016 - 2017





CHAPTER 3

GENERAL OBSERVATIONS, AUDIT OF THE REVENUE COLLECTION PROCESS AND PAYROLL

This chapter highlights a number of General audit concerns along with reviews of the activities of the Barbados Revenue Authority and Government's is Payroll process. It should be noted that all ministries and departments were not audited during the year. Those audited were mainly the ones with high levels of revenue collection and/or large expenditures and/or concerns from previous audits.

General Audit Issues

Fixed Assets

- 3.2** In order for the fixed assets of Government to be adequately accounted for, it is necessary that Ministries and Departments keep proper records of these assets. This includes information on the cost and depreciation expenses. This information is vital for confirming the relevant balances in the financial statements for Ministries and Departments, and also for the physical checking of the assets. It was however observed that the records kept by the agencies did not contain the relevant information that would allow the auditor to verify the amounts in the financial statements. In some instances the information from the two sources lacked sufficient details to allow cross referencing with each other.



Unpresented Information

- 3.3** Audit officers request information from Ministries and Departments in order to carry out their duties. However, in some instances, the information requested was not provided. This included contracts, inventories, utility records and annual financial statements. The absence of such information would have prevented the auditors from completing their tasks of ensuring whether relevant agencies were operating in accordance with Government rules and regulations.

Omission of information from Accounts

- 3.4** There were several instances in which expenses were not recorded in the accounts. For example there was the omission of sums totalling in excess of \$6M due to various parties by the Ministry of Transport and Works.

Contracts

- 3.5** Ministries and Departments are required to obtain contracts when purchasing Goods and Services over \$50,000, and to keep a register of these contracts.
- 3.6** In a number of instances there were no contracts presented to the auditors for inspection.



Audit of Barbados Revenue Authority

- 3.7 The Barbados Revenue Authority (hereafter referred to as ("the Authority")) was established by the Government of Barbados on 1st April 2014 as a central revenue collecting agency, under the Barbados Revenue Authority Act, 2014. The Authority was established subsequent to the merger of the major tax collecting entities. It encompasses the former Inland Revenue Department, Land Tax Department, Value Added Tax Division, Excise Taxes Division and the revenue component of the Barbados Licensing Authority.

Functions of the Authority

- 3.8 The main functions of the Authority as outlined in the Barbados Revenue Authority Act are to:
- (a) administer the specified enactments and, in particular, to assess, collect and enforce the payment of taxes, duties, interest, penalties, fees and other sums payable under the specified enactments;
 - (b) advise the Government and other public authorities on matters relating to the Act, the specified enactments and, generally, to taxation; and
 - (c) represent Barbados in respect of matters relating to taxation.



Specified Enactments

3.9 The specified enactments to be administered by the Authority are as listed below:

- (a)
 - 1. Income Tax Act, Cap 73
 - 2. Value Added Tax Act, Cap.87
 - 3. Land Development Duty Act, Cap. 78
 - 4. Land Tax Act, Cap.78A
 - 5. Land Valuation Act, Cap 229A
 - 6. Offshore Petroleum (Taxation) Act, Cap 80
 - 7. Petroleum Winnings Taxation Act, Cap. 82
 - 8. Public Entertainment Act, Cap 85A
 - 9. Betting and Gaming Duties Act, Cap.60
 - 10. Excise Tax Act, Cap 69
- (b) The Road Traffic Act, Cap. 295 and the subsidiary legislation made thereunder in so far as the enactments relate to the collection of taxes, fees and other sums.

Administration of the Authority

3.10 The Barbados Revenue Authority falls under the ambit of the Ministry of Finance, and is accountable to Parliament for all its activities. A Board which consists of nine members has been appointed, with the responsibility for the policy, organization and administration of the Authority. The Revenue Commissioner, who is also an ex-officio member of the Board, is in charge of the Authority's day-to-day operations.



Audit Mandate

3.11 Under the Authority's Act, the Auditor General is the Auditor of the Authority and is required to:-

- (a) Audit annually, the accounts of the Authority, and report to the Authority and the Minister on the financial statements of the Authority.
- (b) Periodically assess, on such basis as the Auditor General may determine to be reasonable, the fairness and reliability of the information submitted to him by the Authority; and
- (c) Provide the Minister and the Authority with copies of reports of audits and assessments carried out.

3.12 The onus for the proper discharge of the financial administration and presentation of the Financial Statements rests with the Authority. It is the Auditor General's responsibility to form an independent opinion on the accounts, based on the audits carried out by this Office.

Responsibility of Management

3.13 Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with its significant accounting policies, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.



Audit Scope

- 3.14** An audit of the accounts of the Barbados Revenue Authority was conducted in accordance with the provisions of Section 21 (2) of the Barbados Revenue Authority Act, 2014-1, and the Financial Management and Audit Act, 2007-11, for the Financial Year 1st April 2016 to 31st March, 2017. The audit covered the accounts of the Operational Fund which supports the day-to-day activities of the Authority, and Statements of Revenue pertaining to the collection of taxes for the Crown.

Audit Objective

- 3.15** The Barbados Audit Office is empowered to carry out audits in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and Generally Accepted Auditing Standards (GAAS) in order to provide assurance that:-
- Adequate safeguards exist for the collection of public moneys, and that the laws, directions or instructions relating to them have been duly observed;
 - Expenditure is properly controlled, has been properly authorized and made for the purposes for which the funds have been appropriated by the Parliament;
 - Immovable and movable property is properly procured, recorded, controlled and appropriately disposed of;
 - Public monies are expended economically and efficiently; and
 - The figures contained in the Financial Statements are correctly and properly stated.



Summary of Audit Findings

- 3.16** The Audit of the Barbados Revenue Authority was characterized by long delays in obtaining information requested by the auditors. At the end of the audit process, some information on receivables and revenue was still not forthcoming. These factors would have impacted on the timely completion of this audit.
- 3.17** The main issues observed during the Course of the audit can be summarized as follows:-



Administered Activities (Revenue Collection)

Challenges in Verifying Totals

- 3.18** There were challenges in verifying the totals in the Financial Statements, representing revenue collected (**Administered Activities**) as in several instances they were not supported by the figures provided in the related schedules. For example, a schedule of \$3.1 million was provided for expired drivers licenses; however, only \$1,000 was recorded in the Financial Statements.

Cash and Bank

- 3.19** Cash and Bank figures as at 31st March 2017 were stated as \$27,128,000 in the Statement of Financial Position. This comprised of Deposit account balance of \$20,221,000 and Refund account balance of \$6,907,000. The following was noted in this regard:

(i) *Deposit (Revenue) Bank Account*

This account consists of revenue, collected at the Authority's Offices, which has not so far been remitted to the Treasury Department. Both the bank confirmation statement and the bank statement carried a balance of \$412,464.26 as at 31st March 2017. The Authority's accounts however reported a balance of \$20,221,000.00 in the Financial Statements. The reconciliation statement, which should identify the differences between the cashbook (ledger) and the bank statements, consisted of significant amounts which were not supported by any documentation. It was



not possible therefore, to confirm the accuracy of the amount reported.

Refunds Account

- (i) The refunds bank account is used to make payments to taxpayers in respect of refunds. The refunds account bank confirmation statement showed a balance of \$13,349,155.96 at 31st March 2017, whereas the Authority reported \$6,907,000.00 in the Financial Statements. There was an unreconciled difference of \$4,025,925.44 between the bank and the general ledger. No explanation was given for this substantial figure.
- (ii) The unreconciled cash (unpresented cheques) as per bank reconciliation statement was reported as \$7,313,269.65 as at 31st March 2017, but the un-cleared payments listing which gives a detailed list of unpresented cheques totaled \$5,761,472.10. These two figures should be the same, but carried a difference of \$1,551,797.55.

3.20 An account listed under the General Fund as the Prior Year Bank Clearing Account had a reported balance of \$26,183,000, but details of this balance were not provided for audit verification. The figure for this account has continued to grow from year to year without adequate explanation of what it represents.

Reverse Tax Credits & Other Expenses

3.21 Reverse Tax Credits are essentially welfare benefits paid by the Crown, and as such these should be expensed under some appropriate program.



These payments were however treated as overpayments of taxes and recorded as reductions from revenue.

3.22 Similar to the Reverse Tax Credits the debit and credit card charges should also be recorded as expenses, but were also accounted for in the accounts as deductions from revenue collected.

3.23 The above actions resulted in a short-statement of revenue and expenses.

Other Receivables

3.24 There was a figure of \$267 million reported as Other Receivables in the statement of financial position as \$267 million; however, the Authority did not provide appropriate evidence to allow for the verification of these receivables.

3.25 The Authority also did not provide an aged receivables listing for analysis by the auditors. The auditors were seeking to assess the age of the receivables to determine whether the carrying amounts in the accounts were reasonable. This is especially important, given that the Authority would have inherited outstanding receivables from its legacy agencies, which have been outstanding for years and may now be uncollectable.

Internal Control Weaknesses

3.26 Several internal control weaknesses were observed with the cash collection process, as manual adjustments were made to daily cashiers' summaries without the signature of the Supervisor. There was duplication



of some revenue transactions, and surprise cash inspections were not conducted by the supervisors as required.

3.27 Supporting documentation to verify prior year account balances was not presented, namely for the restated 2014-2015 financial year. This information would have allowed the auditors to verify the opening balances for the financial years 2015-2016 and 2016-2017. This matter of the supporting documentation was drawn to the Authority's attention in the previous audit report, but so far has not been addressed.

3.28 The security status given to the auditors in the Income Tax System was that of a basic taxpayer, which did not allow for access to taxpayers' accounts. Hence, auditors could not verify if receivables accounts were accurately stated.

Surprise Cash Inspections

3.29 The collection of revenue usually occurs at the six BRA locations on a daily basis. Surprise inspections were not conducted by supervisors during the year under review as is required by Rule 116 (2) of the Financial Management and Audit (Financial) Rules, 2017. The failure by supervisors to carryout unscheduled checks on officers responsible for collections is an internal control weakness that needs to be corrected.

Revenue - Value Added Tax

3.30 Value Added Taxes were reported as \$956 million on the Statement of Administered Revenue; however, the supporting documentation presented



accounted for only \$509 million. The amounts shown on the Financial Statements, therefore could not be verified by the auditors.

Deferred Revenue (Prepaid Taxes)

- 3.31** There was an amount of \$296,000 reported as Deferred Revenue (prepaid taxes) in the financial statements. However, detailed schedules provided for the Land Tax and Licensing prepayments showed amounts of \$7,300,000. Based on the information provided in the schedule Deferred Revenue was understated by \$7,004,000.

Licensing (Barbados Licensing Authority)

- 3.32** The following issues were observed pertaining to collection of licensing revenue:-
- 3.33** The total recorded in the schedules presented was \$74,987,000 while the amounts recorded in the Statement of Administered Revenue summed to \$67,698,000 a difference of \$7,289,000. Reconciliation of this amount was not provided; therefore, the accuracy of the figures could not be confirmed.
- 3.34** The Authority reported Non-Tax Revenue – Highway Revenue, as \$11,374,000 in the Statement of Administered Revenue, but did not include a note to the Statement explaining what this Non-Tax Revenue consisted of.

**Authority's Response:**

It is agreed that the categories of payments collected under Non-Tax Highway Revenue should be disclosed as a Note to the Financial Statements. Non-tax Highway revenue include collections for Highway Codes Handbook, Inspection certificates, Weight certificates, Regulations and Drivers' tests, Visitors permits and Learners' permits.

Land Tax

- 3.35** As at 31st March 2017, Land Tax receivables were reported as \$321,288,000, an increase of \$32,443,000 over the prior year which stood at \$288,845,000. Efforts should be made to reduce and eliminate outstanding balances.
- 3.36** The Authority identified forty parcels of land for auction. Twenty-eight of these parcels were advertised for sale. No explanation was given for not advertising the other twelve properties. However, no properties were actually sold, and though some agreements were entered into with taxpayers to pay outstanding amounts, these were not honoured.

Liabilities

- 3.37** The Authority had previously reported in the notes to the 2015-2016 financial statements that Income Tax Refunds outstanding for years prior to 2013 totaled \$37M, and Corporation Taxes for that same period stood at \$105.5M. There was no evidence provided that such debts were paid during the 2016-2017 financial year, or that they were written off. These



amounts were however not included in the financial statements. This matter of accounting adequately for outstanding refunds needs to be addressed by the Authority.



Review of Action Taken on Non-Filers

- 3.38** The Authority collects most of Government's revenue. Therefore, in order to maximize collections, it is necessary for the level of compliance with tax laws by taxpayers to be as high as possible, that is, all taxpayers should pay annually the correct amount of taxes that are due. The Barbados Audit Office sought to conduct a review of the Authority's actions in addressing issues of persons/firms not reporting and not paying taxes (Non-Filers).
- 3.39** It should be noted that the tax system relies on taxpayers and businesses making accurate self-assessment and payment of taxes. The Authority therefore has a major role in ensuring that taxpayers are compliant and meet their obligations. This includes persons/firms that may not have filed returns. It was expected that there would be a program in place to identify non-filers and to bring them into the tax net. However, based on the information provided, the Authority has not made a concerted effort to pursue these persons/firms that should be paying taxes, and therefore widening the tax base which would provide additional revenue for Government.
- 3.40** Documentation requested to assist with the review was promised but was not provided in a timely manner, and this presented challenges in conducting a thorough assessment of the process.
- 3.41** The Authority's management stated that the organization did not have a plan in place to tackle the issue of non-filers, and it did not have personnel dedicated to pursue non-filers at the report date.



3.42 Management of the Authority has indicated that it is making efforts to make taxpayers aware of their obligations, through advertisements on radio and television, along with the support of banners and out-reach programmes at schools and community centres where taxpayers are assisted in filing their tax assessments. In addition, the Authority has a social media presence on Facebook, Twitter and Instagram. The Authority, however, could not determine the effectiveness of these programs.

3.43 The Authority has indicated that it does not have the necessary tools for implementing “data mining” (sifting through large amounts of data to find useful information) research to improve the way it selects cases for non-filing enforcement action. Information on non-filers was not forthcoming, and there is no performance evaluation mechanism in place to measure how effective the Authority has been in its performance in this regard.

Conclusions

3.44 The Authority needs to be able to interrogate information from other databases available at Government’s departments. This would contribute toward the identification of non-filers. Furthermore, the Authority has a pool of in-house information from which it can draw, namely the Land Tax, Value Added Tax and Licensing databases.

3.45 The Authority needs to put a dedicated team in place to focus on encouraging the registration of non-filers, capturing new persons in the tax net and encouraging those who previously filed to continue to do so. The



absence of this effort, and the limited manner in which information is used, have limited the Authority's ability and effectiveness in tracking non-filers, hence spreading the tax base and increasing revenue collection.



Information Technology Review

- 3.46** The Authority's Information Technology (IT) infrastructure is important as it is used to process the majority of revenue collected by the Government of Barbados, and it is a central repository of taxpayer information. Land Tax, ETAX (Income Tax), VETAS (VAT), ASYCUDA (Customs) and Barbados Licensing Authority are all under the umbrella of the Barbados Revenue Authority, and these are responsible for the processing of substantial amounts of revenue. Given their significance, the collecting, processing and storing of data on taxpayers need to be in an environment where the data is securely stored and processed.

Audit Objectives

- 3.47** The Audit Office carried out a review of the Information Technology (IT) infrastructure in place at the Barbados Revenue Authority (BRA), to determine if the current procedures allowed for business continuity in the event of natural or manmade disasters. It also examined the current network security measures in place to determine if these were adequate to prevent theft, malicious damage or inadvertent damage by users.

Findings

- 3.48** Network access and application use of the Authority's Systems were password protected, but the passwords were not changed with regularity across all systems. Former employees of the Authority and the previous Inland Revenue Department are still assigned some security access. This action exposes the Authority's computer systems to possible misuse. It was also noted that the storage media containing sensitive organizational



data was not being secured adequately at all times, and back-up tapes of the Authority's daily transactions were not always moved offsite at the end of each day.

- 3.49** The Authority should implement a number of policy changes for its IT infrastructure in order to better safeguard its physical and data assets. These would include enforcing password changes every three to six months across all systems; preventing the handling of storage media containing sensitive data by unauthorised persons; consistently relocating backups to a secondary location and adequately adjusting security for previous employees.



Agency Activities (Operational Account)

Operating Income

- 3.50 In reviewing the accounts in respect of the Agency's Fund which records the operating expenses and grants received from the Government, the reported Operating Income of \$24,593,000 could not be confirmed by third party verification. This total differed by \$6,000,000 from funds released by the Ministry of Finance and those recorded by the Treasury Department. This matter is currently being addressed by these agencies.

Authority's Response:

It was pointed out that the Estimates of Expenditure included subvention for the Customs Department under the BRA Head; however, the BRA did not bring to account these funds.

Capitalization of Assets

- 3.51 There were numerous examples where assets that should have been capitalized were recorded as expenses. As a result of these errors, assets were understated by \$135,951.07, while the Operational Expense to which these amounts were posted, was overstated by a similar amount.

Contracts

- 3.52 There were several payments, to companies, which exceeded \$50,000, and required contracts to conform to the Financial Rules. These contracts were not presented for audit verification.



Pension Plan

- 3.53** According to the Barbados Revenue Authority Act 2014-1, the Authority should within two years of commencement of the Act have established a pension plan for its staff. However, at the time of the audit there was no functional pension plan in operation, and this resulted in some workers retiring and receiving less benefit than they should have, as their pensions were computed on the basis of the salaries which they received while in the Public Service. These salaries were less than those received while employed by the Authority.

Authority's Response:

The Authority is working feverishly to implement the pension plan and to date has commissioned one company as the record keeper and another to manage the investment portfolio. Additionally, the Authority has written the Treasury Department to recall the files for those officers who have retired and to re-compute the pension benefits payable based on the BRA salary levels in order that the Authority can make good the additional benefits payable to the officers.

- 3.54** ***It is recommended that:***

- a) *In order for the accounts of the Authority to be audited in a timely manner, there needs to be greater cooperation with the Audit Office. The provision of the appropriate schedules and supporting documentation to the auditors within agreed timeframes is vital in this regard.*



- b) *Auditors also need greater access to information so as to perform their duties. The management of the Authority therefore needs to comply with the Constitution and the Financial Management and Audit Act and allow unimpeded access to all relevant information requested.*
- c) *There needs to be proper accounting for receivables. In this regard permission should be sought to write off any amounts deemed non-collectable.*
- d) *There were substantial differences between amounts reported in the Financial Statements and the related supporting Schedules Provided. In this regard, the Accounts Staff need to ensure that these totals are reconciled before the information is presented to the auditors.*
- e) *The Authority needs to pay greater attention to its internal control mechanism to address a number of issues highlighted in the report, especially as it relates to the handling of cheques, receipts and passwords for the computer systems.*
- f) *The revenue reports should not be adjusted for Reverse Tax Credits as if these were refunds. These social/welfare payments should be recorded under a separate expenditure programme.*
- g) *Greater focus is required on tackling issues pertaining to individuals/firms that do not currently file tax returns*



information and pay their fair share of taxes. This action would widen the tax base and increase revenue collection.

- h) There needs to be an operational Pension Plan as required by Section 13 of the Barbados Revenue Authority Act 2014-1. The implementation of the plan is way overdue and its absence has impacted negatively on some officers who have retired.*



Review of Controls in Government's Payroll System

- 3.55** A review of the general controls of Government's Payroll System was conducted by the Barbados Audit Office. This audit was part of a reform action plan arising out of the 2013 Public Expenditure and Financial Accountability (PEFA) assessment. It was agreed that a comprehensive audit of Government's Payroll System should be undertaken. The audit findings are highlighted in this section of the Report.

Comparison of Established Posts listed on the Human Resource Module with Posts in the Public Service (General) Order, 2016;

- 3.56** A sample of two hundred and twenty-six (226) posts shown as established in the computerized Payroll System was compared to corresponding information in the Public Service (General) Order, 2016 to determine the accuracy of the information housed in the Payroll System.
- 3.57** The result showed that there were eleven (11) posts deemed to be established, in the system, that were not listed in the Public Service (General) Order, 2016. (Compilation of list of post established by Parliament). The table below shows the eleven posts involved:-

**Posts Listed as Established but not seen in Public Service Order**

POST	Ministry of Health	Ministry of Transport and Works	Ministry of Education
Senior Electrician	√		
Executive Engineer	√		
Health Services	√		
Special Nurse II	√		
Nursing Aide, HIV	√		
Senior House Officer, HIV	√		
Senior Registrar, HIV	√		
Nurse, DHN	√		
Trainee Assistant Director,	√		
Assistant Personnel Officer			√
Supervisor 'C', MPW		√	

- 3.58** The Ministry of the Civil Service should reconcile the list of established posts recorded in the computerized Payroll System module with those in the Public Service (General) Order 2016, to ensure that the posts listed are accurate, and to avoid situations where an Officer can be assigned to a position that legally does not exist.

Termination of Appointments

- 3.59** A review of public officers' records in the Smart Stream Human Resource System, which contains Government's personnel and payroll information, revealed that there was a significant number of persons whose appointments were ended, but were still listed as active. These included officers who were no longer employed, either through resignation,



termination or death. It also included officers who had reached the compulsory retirement age.

- 3.60** Appointments for these officers are ended by the Personnel Administration Division (PAD). This procedure also ensures that payment via the computerized payroll is discontinued. However, it was observed that the method used to stop payment to the officers was to change the officer's pay status in the System to "do not pay". This is a risk, since it does not permanently end the appointment, and such payments could be resumed by persons in the Departments simply changing the status to "pay".
- 3.61** Ending the appointment is an important control that should be used to reduce the likelihood of financial loss to Government through unauthorised payments to officers. The Personnel Administration Division needs to formally end the appointments of these former employees in the computerized system.

Anomalies in Temporary Officers' Records

- 3.62** Currently when officers are given permanent appointments their assignments are entered in the Smart Stream Human Resources System with no end-dates indicated. On the other hand, the assignments for temporary officers are generally entered with end-dates. An analysis of the Smart Stream Human Resources System revealed that there were one thousand, one hundred and seventy-eight (1178) records where the employment type of the officers was shown as temporary, but no assignment end-date was entered. The absence of end-dates for temporary officers results in an inaccurate reflection of their status. In



addition, the utilisation of an end-date would ensure that payroll payments are not generated for temporary officers beyond the period authorised. It should however be noted that there were no instances of this occurring; however, this risk needs to be minimized.

- 3.63** Other information in the SmartStream Human Resources System indicates that some of the officers who were listed in one area of the system as having been permanently appointed, had a temporary status in another area. Therefore, there is conflicting information recorded within the SmartStream Human Resources System for some officers. This would result in the permanently appointed officers paying a higher National Insurance rate than they need to. These matters have been drawn to the attention of the Personnel Administration Division for corrective action.

Overpayment of Salaries

- 3.64** A review of the SmartStream Human Resource System indicated that the overpayment of salaries to public officers is a significant issue. The overdrawn salaries for the four Ministries and the two Departments reviewed showed an outstanding balance of \$3.78 million at 31st December 2017. This information is presented in the table below.



Table 1: Overdrawn salaries for the five entities as at December 31, 2017

Entity	Amount (\$)
Prison Department	134,123.57
Ministry of Transport and Works	134,155.07
Ministry of Health	719,606.49
Ministry of Education	564,473.55
Ministry of Agriculture	60,884.42
Police Department	1,764,669.26
TOTAL	3,777,912.36

3.65 The main reason for the overpayments is the payment of full salaries to officers when they should be on no-pay or half-pay leave as a result of extended sick leave. Heads of Departments can approve up to ninety (90) days leave for appointed officers, and thereafter additional leave is referred to the Personnel Administration Division for approval. Our review indicated that Ministries and Departments were not receiving letters of authorization from this agency in a timely manner. This results in officers who should be on full or half pay receiving their full salaries. The PAD is not solely at fault as some Ministries and Departments were tardy in supplying the information which is required to make decisions on whether leave should be granted with or without pay.

3.66 The main reason for the high levels of overdrawn salary in the Police Department is that officers are receiving their full salary while on leave, and at the same time are in receipt of benefits for employment injury from the National Insurance Scheme. This issue represents sixty-two (62%) of



the amount overdrawn. The Police Department should institute measures to eliminate the high level of overdrawn salaries relating to the payment of employee injury benefits.

3.67 *It is recommended that:*

The Personnel Administration Division needs to review the current processes to clearly identify the deficiencies that arise from their actions or lack thereof. Departments must be informed in a timelier manner whether leave for officers has been granted with or without pay, in order to avoid these overpayments. It is also necessary for the Ministries and Departments to support the process by informing the Division in a timely manner on the leave status of officers.



CHAPTER 4

AUDITS OF STATUTORY BOARDS, GOVERNMENT COMPANIES AND CONTROLLED ENTITIES

The Office of the Auditor General is responsible for reporting to Parliament on the audit of the accounts of all Government Agencies, including Statutory Bodies, Funds and other controlled entities. It should however be noted that the accounts of some of these entities are audited by my Office, and others by private sector auditors. This chapter outlines the status of the audits of Boards, other State Agencies and Funds at 31st December 2017. It is divided into two sections. The first contains reports on those entities audited by the Barbados Audit Office, and the second reports on the entities that are audited by private sector auditors. A report on the audit of the accounts of Secondary Schools is included in the second section.

Audits of Statutory Boards and other Agencies Conducted by the Audit Office

Arts and Sports Promotion Fund

- 4.2 The Arts and Sports Promotion Fund was established under the Arts and Sports Promotion Fund Act, 2003. The purpose of the Fund is to provide financial assistance to activities and programmes conducted by arts and sporting organizations for the development and practice of arts and sports.



The Financial Statements for the years ended 31st March 2014 to 2017 have been submitted to the Audit Office and will be audited during the year 2018.

Barbados Boxing Board of Control

- 4.3** The Barbados Boxing Board of Control oversees the promotion and regulation of boxing in Barbados. The Board receives an annual grant from the Barbados Government, and is required to have its accounts audited by the Barbados Audit Office. The Financial Statements for the financial years 2005 to 2015 have been audited; the audits for the 2016 and 2017 years are outstanding.

Barbados Community College

- 4.4** The audit of the accounts of the Barbados Community College (BCC) is conducted in accordance with Section 10 (1) of the Barbados Community College Act, Cap. 36. The Financial Statements for the years ended 31st March 2011 and 2012 were subcontracted to the Private Sector. However, they have not been submitted to my Office for sign off at the time of writing.
- 4.5** The audit of the Financial Statements of the College for the financial years ended 31st March 2013 to 2017 has not commenced.



Barbados Defence Force

- 4.6 The Financial Statements of the Barbados Defence Force for the financial years ended 31st March 2015 and 2016 have been submitted and will be audited during 2018.

Barbados Hospitality Institute

- 4.7 The Barbados Hospitality Institute falls under the aegis of the Barbados Community College. This Institute conducts training for persons pursuing careers in the Hospitality Industry. The audit of the accounts for the financial years ended 31st March 2011 and 2012 was contracted out to Private Sector auditors. However, relevant information was not provided to allow the auditors to commence their work.
- 4.8 The Financial Statements for the financial years ended 31st March 2011 to 2017 have therefore not been audited.

Barbados Liaison Service – Miami

- 4.9 The Barbados Liaison Service in Miami administers a program relating to workers recruited in Barbados for attachment to hotels in the USA. An audit of the accounts of the service will be conducted during the next on-the-spot visit to the Consulate in Miami.



Barbados Liaison Service – Toronto

- 4.10** The Barbados Liaison Service in Toronto administers a program relating to farm and hotel workers recruited from Barbados. The audit of the Accounts of the Liaison Service in Toronto will be conducted when Audit Officers next visit the Missions in Canada.

Caribbean Centre for Development Administration (CARICAD)

- 4.11** The Caribbean Centre for Development Administration (CARICAD) provides assistance to the countries of the Caribbean region for the purpose of improving their administrative capability. The audit of the accounts of CARICAD for the financial years ended 31st March 2013 and 2014 was conducted by the Audit Office. The Financial Statements for the financial years ended 31st March 2015 to 2017 have not been submitted; therefore the audit for these years is outstanding.

Catastrophe Fund

- 4.12** The Catastrophe Fund was established in 2006 and is administered by the National Insurance Fund. This Fund provides financial aid to persons with homes valued at no more than \$150,000, which are damaged by a catastrophe.
- 4.13** The audit of the accounts of the Catastrophe Fund for the year ended 31st December 2009 has been completed. The audits of accounts for the years ended 2010-2017 are currently outstanding.



Central Liaison Service

- 4.14** The Central Liaison Service (Regional Security System) is a regional security organization headquartered in Barbados and supported by a number of Caribbean countries. Its functions include assisting with the fight against illegal narcotics, and combating threats to national security in member states. The Financial Statements for the years ended 31st March 2016 and 2017 have not been submitted for audit.

4.15 **Community Legal Services Commission**

The Community Legal Services Commission provides legal aid to persons in the country who need assistance, and meet the established criteria. As indicated in my previous report, the audit of the accounts of the Commission has fallen into arrears. The audit of the accounts for the financial years ended 31st March 2012 to 2017 is outstanding, as the Financial Statements have not been submitted to the Audit Office.

Erdiston Teachers' Training College

- 4.16** The Erdiston Teachers' Training College is an educational institution established for the training of teachers. The accounts of the College for the financial years ended 31st March 2013 to 2017 have not been submitted for audit. The audit of the Financial Statements for this period is therefore outstanding.



National Assistance Board

- 4.17** The National Assistance Board provides assistance to poor and needy persons in the country in a variety of ways, and this includes providing a Home Help Service. In accordance with Section 6 (2) of the National Assistance Act, Cap. 48, the National Assistance Board is required to submit its annual accounts, within three months of the end of each financial year, to the Auditor General for audit.
- 4.18** The financial statements for the financial years ended 31st March 2014 to 2016 have been submitted and will be audited during 2018. The audit for the year ended March 2017 is also outstanding.

National Insurance Fund

- 4.19** The audit of the accounts of the National Insurance Fund continues to be in arrears. The accounts for the financial years 2006 to 2009 are being audited by a private-sector firm, which has indicated that audits of the accounts for 2007 to 2009 are at various stages of completion. The audit for the period 2010 has been assigned to Officers in the Audit Office.
- 4.20** The audit of the accounts of the National Insurance Department has been a challenging exercise, characterized by long delays in obtaining information by the auditors, which also affected the scheduling of their work. The auditors also took an inordinately long time in finalizing their findings once the field work was completed. At the time of writing the audit report for 2009 was outstanding. The submission of these reports which are behind schedule would conclude the contract with the private auditors



to whom this audit had been assigned.

- 4.21** There are issues preventing the timely completion of this audit, the main one being the Department's inability to provide the auditors with timely schedules and support information. A limit of audit resources available in my Office and the country in general is also a constraining factor to the timely completion of these audits. The options for getting the audits up-to-date are limited, but could include an appraisal of the assets and liabilities of the Fund, and thereafter preparing accounts from that period for audit. Another option is for the Department to provide information by specified time periods, after which an audit opinion would be issued in respect to work completed.

Retraining Fund

- 4.22** The Retraining Fund was established in 2010 by the National Insurance and Social Security (Amendment) (No. 2) Act, 2010-9, and is operated under the management and control of the National Insurance Board. The Fund provides funding for the retraining of persons who have become unemployed. The training is administered by the National Employment Bureau.
- 4.23** The Financial Statements for the years ended 31st December 2010 to 2013 were submitted in 2015, and the audit was commenced, but was halted due to lack of supporting information being supplied by the Department. The audit of accounts for the financial years ending 31st December 2014 to 2016 is outstanding.



Samuel Jackman Prescod Polytechnic

- 4.24** The Samuel Jackman Prescod Polytechnic is an educational institution which offers technical and vocational training in a number of disciplines. Section 6 (1) of the Samuel Jackman Prescod Polytechnic Board of Management Order, 1983 (S.I. 1983 No. 78) requires the Board to submit to the Minister on or before 1st October, in respect of the preceding financial year, Statements of Accounts audited by the Auditor General.
- 4.25** The Financial Statements of the Polytechnic have not been audited for over ten years. The Polytechnic has indicated that it believes that the preparation of statements from 2009 would not have added any value. The institution has new accounts staff in place, and has submitted statements to be audited for the 2014 to 2016 financial years.

Sanitation Service Authority

- 4.26** The Financial Statements of the Sanitation Service Authority for the financial years ended 31st March 2014 and 2015 have been submitted to the Audit Office, and the audit of these accounts will be conducted in 2018.

Severance Payment Fund

- 4.27** The audit of the Severance Payment Fund for the financial years ended 31st December 2009 has been completed. The audit of the Financial Statements for the financial years ended 31st December 2010 to 2016 is outstanding as no information has been supplied by the Department to allow commencement of the Audit.



Sugar Factory Smoke Control Board

- 4.28** The Revenue and Expenditure Accounts of the Sugar Factory Smoke Control Board for the years ended 31st December 2001 to 2016 have not been submitted for audit in accordance with Section 3 (11) of the Registered Sugar Factories Smoke Control Act, Cap. 355. The audit of the accounts of the Board for these years is therefore outstanding.

Sugar Industry Research and Development Fund

- 4.29** The audit of the Receipts and Payments Accounts of the Fund for the financial years ended 31st December 2012 has been completed. The audit of the Accounts for the financial years ended December 2013 to 2016 is outstanding.

Sugar Workers' Provident Fund

- 4.30** The Sugar Workers' Provident Fund provides pensions and funeral grants to persons previously employed in the Sugar Industry, and who were not entitled to a contributory pension under the National Insurance and Social Security Act. The audit of the Financial Statements for the financial years ended 31st December 2009 has been completed. The audit of statements for the financial years ended 31st December 2010 to 2016 is outstanding.



Transport Authority

- 4.31** The Transport Authority was set up on 1st August 2008 to regulate, monitor and plan for public transportation in Barbados. The audit of the accounts for the financial years ended 31st March 2011 to 2017 is outstanding. Financial Statements have been submitted for the 2011-2014 financial years, and these will be audited in due course.

Unemployment Fund

- 4.32** The Unemployment Fund, which is administered by the National Insurance Department, pays benefits to those qualifying persons who were laid off from work. The audit of the accounts for the financial years ended 31st December 2009 has been completed. The audit of the Financial Statements for the financial years ended 31st December 2010 to 2016 is outstanding.



Audits of State Agencies Conducted by Private Sector Auditors

- 4.33** Section 113 of the Constitution requires the Auditor General to be the auditor of Ministries/Departments and Government controlled entities. However, Private Sector Auditors conduct a number of these audits. A report on the status of these audits is as follows:

Statutory Boards and Government Companies

Barbados Agricultural Credit Trust Ltd

- 4.34** The principal activity of the Barbados Agricultural Credit Trust Ltd (BACTL) is the management of the debt of the Barbados Sugar Industry Ltd. (BSIL) and the Heavily Indebted Plantations (HIPs), a responsibility which was assumed from the Barbados National Bank in the form of a portfolio transfer. The audit of the accounts for the financial years ended 31st March 2014 to 2017 is outstanding. The Trust has indicated that it continues to experience financial challenges which impact its ability to have the accounts audited in a timely manner.

Barbados Agricultural Development and Marketing Corporation

- 4.35** The Barbados Agricultural Development and Marketing Corporation (BADMC) consists of two merged entities: the Barbados Marketing Corporation (BMC) and Barbados Agricultural Development and Management Corporation (BADMC). The principal activity of the BADMC under Section 10 of the BADMC Act, 1965 - 21 is the management of the



production, marketing and processing of produce in Barbados. The BADMC was established by the BADMC Act, 1965 - 21 to stimulate, facilitate and undertake the development of agriculture, and to develop and manage, on a commercial basis, Government plantations along the line of Government policies.

- 4.36** The Corporation reported that the audit of the Financial Statements for the year ended 31st December 2012 was expected to be finalized in April 2018. It also disclosed that its financial year-end had been changed to March, and the statements as at 31st March 2014 would be for a fifteen month period. The Corporation added that the audit of the statements for the year ended March 2014 was nearing completion, and that arrangements would be made with the auditors to schedule the audits for the years ended March 2015 to 2017.

Barbados Agricultural Management Co. Ltd

- 4.37** The Barbados Agricultural Management Co. Ltd is a subsidiary of the Barbados Agricultural Trust Ltd, whose sole shareholder is the Government of Barbados. The Company is involved in the cultivation of sugarcane and non-sugar crops, and it manages and operates the sole sugar factory on the island. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Barbados Cane Industry Corporation

- 4.38** The Barbados Cane Industry Corporation was established under the Companies Act of Barbados to restructure the sugar cane industry. The



Corporation indicated that the audit of the Financial Statements for the financial year ended 31st March 2014 was completed, but that scheduling problems with the auditors were delaying audits for subsequent years. The audit of the accounts for the years 2015 to 2017 was therefore outstanding.

Barbados Conference Services Ltd.

- 4.39 The Barbados Conference Services Ltd (BCSL) is responsible for the operations of the Lloyd Erskine Sandiford Centre, and provides destination management and transport services under the brand names, “Horizon Events’ Planners” and “Horizon Coaches and Tours” respectively. The audit of the accounts of BSCL for the financial year ended 31st March 2017 has been completed.

Barbados Investment and Development Corporation

- 4.40 The Barbados Investment and Development Corporation (BIDC) was established under the Barbados Investment and Development Corporation Act, 1992 – 30 for the purpose of developing Barbados’ industrial, offshore financial, export and other related activities. The Corporation has indicated that the audit of the accounts for the financial year ended 31st March 2017 has been completed.

Barbados National Oil Company Ltd.

- 4.41 The Barbados National Oil Company Ltd. (BNOCL), through its wholly owned subsidiary, is involved in the exploration and production of crude oil, natural gas and liquefied petroleum gas (LPG). The BNOCL is also



engaged in the processing of crude oil and the sale of petroleum products to the Barbados market.

- 4.42** The audit of the accounts of the BNOCL for the financial year ended 31st March 2016 has been completed. The audit of the accounts for the financial year ended 31st March 2017 is outstanding.

Barbados National Terminal Company Limited

- 4.43** The Barbados National Terminal Company Limited is a Limited Liability Company, and a wholly owned subsidiary of the Barbados National Oil Company Limited. Its principal activity is the storage and distribution of petroleum products on behalf of its parent company. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Barbados Port Inc.

- 4.44** The principal activity of the Barbados Port Incorporated is to manage the Port of Bridgetown, for the main purpose of enabling the Port to operate as a commercial entity. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Barbados Tourism Authority

- 4.45** The principal activities of the Barbados Tourism Authority (BTA) were to promote, assist and facilitate the efficient development of tourism, and to design and implement suitable marketing strategies for the effective



promotion of the tourism industry. This entity has been replaced by the Barbados Tourism Marketing Inc. and the Barbados Tourism Product Authority, which are reported on in succeeding paragraphs.

4.46 Audited Financial Statements for the financial year ended 31st March 2012 were submitted to the Audit Office. The audit of Financial Statements for the period 1st April 2013 to 30th September 2014, the point of cessation of operations, was said to be ongoing.

4.47 Barbados Tourism Marketing Inc.

The audits of the accounts for the Barbados Tourism Marketing Inc (BTMI) for financial years ended 31st March 2015 to 2017 are outstanding. The BTMI reported that all efforts were being made to bring its audits up-to-date immediately after the conclusion of fieldwork required for the completion of the Barbados Tourism Authority audit.

4.48 Barbados Tourism Product Authority

The audits of the Barbados Tourism Authority (BTPA) accounts for the financial years ended 31st March 2015 to 2017 are outstanding. The BTPA reported that all efforts would be made to bring these audits up-to-date immediately after the conclusion of fieldwork for the completion of the Barbados Tourism Authority audit.

**Barbados Tourism Investment Inc.**

- 4.49** The principal activities of the Barbados Tourism Investment Inc. are the facilitation of tourism investment in Barbados, and the development of its vested properties in private and public partnerships.
- 4.50** The BTII has reported that the audit of the accounts for the financial year ended March 31, 2014 has not yet been completed. The audits of the accounts for the financial years ended 31st March 2015 to 2017 are also outstanding.

Barbados Vocational Training Board

- 4.51** The Barbados Vocational Training Board, previously called the National Training Board, was established under the Occupational Training Act, 1979, Cap. 42. Its purpose was to ensure an adequate supply of trained manpower through occupational training for apprentices and trainees in the country.
- 4.52** The Board has indicated that the audit of the accounts for the 2009 and 2010 years is in progress. The audit of accounts for the period 2011-2017 has not commenced.

Barbados Water Authority

- 4.53** The Barbados Water Authority (BWA) was established by the Barbados Water Authority Act 1980 - 42 to take over the functions, rights and



liabilities of the Waterworks Department on the “appointed day”, which is regarded as 1st April 1981.

- 4.54** The BWA reported that the audit of the accounts for the financial years 2009 to 2014 has been completed. The audits for the financial years ended 31st March 2015 and 2016 are in progress with that for 2017 yet to commence.

Caribbean Broadcasting Corporation

- 4.55** The principal activity of the Caribbean Broadcasting Corporation (CBC) is the provision of broadcasting services through radio and television. It was reported that the audit of the accounts for the financial years ended 31st March 2016 and 2017 had been completed, but the final reports were being awaited.

Caves of Barbados Ltd

- 4.56** Caves of Barbados Ltd (CBL) is mandated under the Caves Act 2000-12 to manage and develop Harrison’s Cave and any other caves in Barbados. The CBL indicated that the audit of the Financial Statements for the year ended 31st March 2016 had been returned to the auditors so that some additional work could be done. The audit of the accounts for 2017 is also outstanding.

Central Bank of Barbados

- 4.57** The Central Bank of Barbados is incorporated under the Central Bank of



Barbados Act CAP 323C and is responsible for the administration of the Financial Institutions Act, CAP 324A, and the International Financial Services Act, CAP 325. Its main responsibility is to formulate, in association with Government, monetary and fiscal policies to assist with the country's economic development programme. The audit of its Accounts for the period ended 31st December 2016 was completed.

Child Care Board

- 4.58 The principal activities of the Child Care Board are to provide and maintain child care institutions for the safe keeping of children in need of care and protection; and to make grants to voluntary organizations or bodies operating child care institutions. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Enterprise Growth Fund Limited

- 4.59 The principal activity of the Enterprise Growth Fund Limited (EGFL) is the provision of loan financing and venture capital to dynamic, small and medium sized Barbadian companies in the productive sectors. The EGFL also provides business advisory services and technical assistance to its client companies. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Fair Trading Commission

- 4.60 The principal activity of the Fair Trading Commission (FTC) is to enforce the Utilities Regulation Act, Cap. 282, the Telecommunications Act, Cap.



282B, the Fair Trading Competition Act, Cap. 326C and the Consumer Protections Act, Cap. 326D.

- 4.61** The Commission is required to promote efficiency and competitiveness, and improve standards of service and quality of goods and services supplied by service providers and business enterprises over which it has jurisdiction. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Financial Services Commission

- 4.62** The Financial Services Commission (FSC) commenced operations on 1st April 2011 under the Financial Services Commission Act, 2010. The Commission represents an amalgamation of the offices of the former Registrar of Co-operatives, the Securities Commission and the Supervisor of Insurance and Pensions.
- 4.63** The functions of the Financial Services Commission (FSC) include the supervision and regulation of the operations of financial institutions, the establishment of standards for institutional strengthening for the control and management of risk in the financial services sector, and for the protection of customers of financial institutions, as well as creditors and the public. They also include the promotion of stability, public awareness and public confidence in the operations of financial institutions. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

**Grantley Adams International Airport Inc.**

4.64 The Grantley Adams International Airport Inc. (GAIA) is responsible for the commercial operations and management of the airport in accordance with the Grantley Adams International Airport (Transfer of Management and Vesting of Assets) Act (Act 2003-3).

4.65 The GAIA has reported that the audit of the Financial Statements for the financial year ended 31st March 2017 has been completed.

Hotels and Resorts Ltd.

4.66 Hotels and Resorts Ltd. was incorporated under the Laws of Barbados on 27th December 1995. The principal activity of Hotels and Resorts Ltd. is the investment in, and development of, hotel premises. The audit of the Financial Statements for the period ended 31st March 2017 has been completed.

Islandcrafts (Barbados) Inc.

4.67 The principal activity of Islandcrafts Inc. is the sale and marketing of indigenous handcraft items. It was reported that Islandcrafts Inc. ceased operations during 2015. The audit of the Financial Statements for 2014 has been completed and presented to the Audit Office. However, the Audit was informed that a clearance certificate was being sought from the Barbados Revenue Authority, and there were legal issues to be resolved in the winding-up of the entity. The audit for 2015 remains outstanding.



National Conservation Commission

- 4.68** The principal activity of the National Conservation Commission (the Commission) is the management, maintenance and development of the public parks, beaches and open areas of Barbados.
- 4.69** The audit of the accounts of the Commission has been completed up to the financial year ended 31st March 2013. The Commission again reported that the auditors were awaiting schedules in order to complete the audit of the accounts for the financial years ended 31st March 2014, 2015 and 2016. The audit of the accounts for 2017 had not yet commenced, according to the commission, and was therefore outstanding.

National Council on Substance Abuse

- 4.70** The principal activity of the National Council on Substance Abuse (NCSA) is to advise the Ministry of Home Affairs on measures for the eradication or control of substance abuse.
- 4.71** The accounts of the Council are audited by auditors from the private sector; however, due to budgetary constraints the Barbados Audit Office was requested to conduct the audit of the accounts for the financial year ended 31st March 2012, and this audit has been completed. The audit of the accounts for the financial years ended 31st March 2013 to 2016 is currently in arrears. The Council reported that efforts are being made to bring its accounts up to date so that these audits can be completed.



National Cultural Foundation

- 4.72** The principal activities of the National Cultural Foundation (the Foundation) are to stimulate and facilitate the development of culture, organize and assist in cultural activities, and develop, maintain and manage theatres and other cultural facilities and equipment provided by the Government of Barbados.
- 4.73** The audit of the accounts for the financial year ended 31st March 2017 has been completed.

National Housing Corporation

- 4.74** The National Housing Corporation is a state agency which has responsibility for the development of land and the construction of housing units for sale or rent to low and middle-income persons. The Corporation once again reported that the audit of the accounts for the financial years ended 31st March 2012 to 2014 is in progress. The audits for the financial years ended 31st March 2015 to 2017 are also outstanding. Information from the Corporation indicated that the preparation of accounts has been affected by the loss of senior staff.

National Productivity Council

- 4.75** The principal activities of the Barbados National Productivity Council (BNPC) are: to create and develop methodologies for measurement, management and improvement in the public service and private sector,



and to provide technical advice and assistance for devising productivity-related payment schedules. The Council indicated that the audit of the accounts for the financial year ended 31st March 2017 has been completed.

National Petroleum Corporation

- 4.76** The National Petroleum Corporation (the Corporation) has as its principal activity the supply of natural gas to industrial, commercial and domestic customers. The Corporation has indicated that the audit of the accounts for the financial year ended 31st March 2015 has been completed. The audit of the accounts for the financial years ended 31st March 2016 to 2017 is outstanding.

National Sports Council

- 4.77** The principal activities of the National Sports Council (NSC) are to maintain and develop sporting facilities provided for public use, and to stimulate the development of sports in Barbados. The Council reported that the audit of the accounts for the financial years ended 31st March 2013 to 2015 were completed and the reports were in draft form, but the auditors were awaiting further information before confirming the financial statements. In addition, a number of factors were delaying the statements for the financial years ended 31st March 2016 and 2017. The audit for these years are therefore outstanding.



Needham's Point Development Inc.

4.78 Needham's Point Development Inc. was incorporated under the Companies Act of Barbados on 22nd August 1996, its sole shareholder being the Government of Barbados. The principal activity of the company is to oversee the development of the lands at Needham's Point.

4.79 The Company has reported that the audit of the accounts for the financial year ended 31st March 2016 has been completed. The audit of the accounts for the financial year ended 31st March 2017 is outstanding.

Queen Elizabeth Hospital

4.80 The Queen Elizabeth Hospital (QEH) has as its principal activities the provision of medical care for patients, facilitating the provision of medical education and research, and providing facilities and technical support for education and training in nursing and other health related professions.

4.81 The Hospital has reported that the audit of the accounts for the financial year ended 31st March 2011 has been completed. The audits of the accounts for the financial years ended 31st March 2012 to 2017 are outstanding.

Rural Development Commission

4.82 The Rural Development Commission (the Commission) was incorporated on 21st August 1995 under the Rural Development Commission Act, 1995 - 12. Its principal activity is to improve the quality of life of



persons living in rural communities in Barbados.

- 4.83** The Commission reported that the audit of the accounts for the financial year ended 31st March 2008 has been completed. The audits for the financial years ended 31st March 2009 to 2017 are outstanding.

Student Revolving Loan Fund

- 4.84** The Student Revolving Loan Fund (the “SRLF”) was established under the Student Revolving Loan Fund Act, 1976-20. The principal activity of the Fund is the provision of loans to eligible Barbadians pursuing full-time studies in post-secondary, technical, vocational, undergraduate and graduate programmes. The audit of the accounts of the Fund for the financial year ended 31st March 2017 has been completed.

Technical and Vocational Education and Training (TVET) Council

- 4.85** The principal activities of the Technical and Vocational Education and Training (TVET) Council are to provide advice on policy, and to prepare plans and establish standards for technical and vocational education at the tertiary level, in accordance with national policies and economic needs. The audit of the accounts for the financial year ended 31st March 2017 has been completed.

Transport Board

- 4.86** The Transport Board’s principal activity is the provision of transportation to the general public. The Board’s last audited Financial Statements were for



the financial year ended 31st March 2011. The audit of the accounts for the financial years ended 31st March 2012 to 2017 remains outstanding.

Urban Development Commission

- 4.87** The principal activities of the Urban Development Commission (UDC) are to undertake slum clearance and improve social amenities in urban areas. The UDC also provides loans for assistance in house acquisition, repairs and improvements. The Commission reported that the most recently audited Financial Statements were for the year ended March 31st, 2007, and that the audit for the year ended March 2008 had been suspended because of inadequate information. The audits of the accounts for the financial years ended 31st March 2008 to 2017 are therefore outstanding.



Audits of Secondary Schools

4.88 Section 20 (1) (b) of the Education Act requires that the audited accounts of secondary schools be submitted to the Minister not later than six months after the close of the financial year which ends on 31st March. The status of the accounts of these schools at 31st December 2017 was as follows:

Up-to-Date Audits

4.89 The audits of the accounts of the schools listed below have been completed for the financial year ended 31st March 2017. The accounts of these schools are therefore up-to-date as required by the Education Act.

- ***Deighton Griffith Secondary School***
- ***Daryll Jordan Secondary School***

Audits not Up-to-Date

4.90 The audits of the accounts of the following schools were not up-to-date as required by the Education Act.

- **Alexandra School**

4.91 The School has reported that the audits of its accounts for the financial years ended 31st March 2013 to 2017 are outstanding. The School reported that with the introduction of the SmartStream computerized accounting system the auditors have reported some challenges in getting the necessary information to complete the audit of the accounts.



- **Alleyne School**

4.92 The School reported that the audits of its accounts for the financial years ended 31st March 2016 to 2017 were in progress.

- **Alma Parris Secondary School**

4.93 The audits of the accounts of the Alma Parris Secondary School for the financial years ended 31st March 2015 and 2016 have been completed. The audit for the financial year ended 31st March 2017 was expected to be commenced by the middle of 2018.

- **Christ Church Foundation School**

4.94 The audits of the accounts of the Christ Church Foundation School for the financial years ended 31st March 2010 to 2012 are in progress. The School has reported that the audits of the accounts for the 2013 to 2017 financial years are scheduled to be completed during 2018.

- **Coleridge and Parry School**

4.95 The School has reported that the audit of the accounts for the financial year ended 31st March 2012 is completed. The audits of the accounts for the financial years ended 31st March 2013 to 2017 are outstanding.



- **Combermere School**

4.96 The audits of the accounts of the Combermere School for the financial years ended 31st March 2011 to 2017 are outstanding. Information received from the school indicated that some challenges were being experienced.

- **Ellerslie Secondary School**

4.97 The school has reported that the audit of its accounts for the financial year ended 31st March 2016 was being finalised. The audit of the accounts for the financial year ended 31st March 2017 is also outstanding.

- **Frederick Smith Secondary School**

4.98 The audit of the accounts of the Frederick Smith Secondary School revealed that accounts for the financial years ended 31st March 2016 to 2017 is outstanding.

- **Grantley Adams Memorial School**

4.99 The audits of the accounts of the Grantley Adams Memorial Secondary School for the financial years ended 31st March 2013 to 2017 are outstanding. The School has indicated that it is awaiting the guidance of the Ministry of Education regarding challenges experienced by the auditor, which prevented the execution of audits.



- **Graydon Sealy Secondary School**

4.100 The Graydon Sealy Secondary School reported that the audit of the accounts for the financial year ended 31st March 2016 was in progress. The audit for 2017 is also outstanding.

- **Harrison College**

4.101 Harrison College has indicated that the audit of the accounts for the financial year ended 31st March 2016 was in progress, but the audit for the year ended March 2017 had not commenced.. The audit for 2017 is therefore outstanding.

- **Lester Vaughan School**

4.102 The Lester Vaughan School reported that an auditor was currently conducting on the audit of the accounts for the financial years ended 31st March 2013 to 2015. The audits for the 2016 and 2017 financial years had not commenced, and were therefore outstanding.

- **The Lodge School**

4.103 The Lodge School has reported that the audit of the accounts for the financial year ended 31st March 2016 was completed. The audit of the accounts for the financial year ended 31st March 2017 is outstanding.



- **Parkinson Memorial School**

4.104 The audit of the accounts of the Parkinson Memorial School for the financial years ended 31st March 2013 to 2017 is outstanding. The School indicated that the private auditor was experiencing problems with the audit, and requested the assistance of the Audit Office. The School's accounts were previously audited by Private Sector Auditors, but the Audit Office will seek to give assistance during 2018.

- **Princess Margaret Secondary School**

4.105 The audit of the accounts of the Princess Margaret Secondary School for the years ended 31st March 2015 to 2017 remains outstanding.

- **Queen's College**

4.106 The audits of the accounts of Queen's College for the financial years ended 31st March 2013 to 2017 are outstanding. The school has indicated that it is in discussion with the Ministry of Education, Science, Technology and Innovation to have the matter resolved.

- **Springer Memorial Secondary School**

4.107 The audit of the accounts of the Springer Memorial Secondary School for the financial years ended 31st March 2013 is in progress. The audits of accounts for the years ended 31st March 2013 to 2017 are therefore outstanding.



- **St. George Secondary School**

4.108 The audits of the accounts of the St. George Secondary School for the financial years ended 31st March 2013 to 2017 are outstanding.

- **St. Leonard's Boys' Secondary School**

4.109 The audits of the accounts of the St. Leonard's Boys' Secondary School for the financial years ended 31st March 2013 to 2017 are outstanding.

- **St. Michael School**

4.110 The St. Michael School again reported that the audit of its accounts for the financial year ended 31st March 2013 is in progress. The audits for the financial years ended 31st March 2013 to 2017 are therefore outstanding.

General Observations

4.111 The level of arrears in the audits of Government entities presents serious cause for concern.

4.112 An analysis of this situation revealed that during the period from 2013 to 2016 there were a significant number of entities whose financial statements had not been audited for three years or more. These ranged from a low of thirty-two (in 2014) to a high of forty-nine (in 2016).

4.113 Of these agencies, there was a steady increase in the number whose statements had not been audited for five years or more. These increased



from eleven in 2013 to twenty-six in 2016. This number included four entities whose statements had not been audited for ten years or more.

4.114 These trends reflect a level of delinquency in the area of financial management that needs to be urgently addressed.

4.115 The agencies highlighted in this chapter are responsible for the management of hundreds of millions of public funds annually. It is therefore incumbent upon them to account for these funds in an efficient and timely manner. The auditing of their accounts on an annual basis is an important aspect of this process that is required by law. As a cornerstone of good governance, the audit function provides unbiased objective assessments of whether public resources are managed responsibly and effectively, helps the audited entities to achieve accountability, improve their operations, and provides assurance to Parliament and the general public. The failures mentioned above represent a recurring breach of the relevant legislation, and a dereliction of duty to the Parliament and taxpayers of Barbados.

4.116 The number of agencies in arrears can be observed in the following table:

**Analysis of Entities Whose Audits are Currently in Arrears**

Audits Outstanding for			
Year	Three (3) Years or More	Five (5) Years or More	Ten (10) Years or More
2013	34	11	3
2014	32	14	4
2015	47	21	4
2016	49	26	4



CHAPTER 5

SPECIAL AUDITS

This chapter reports on a number of special audits conducted by the Audit Office. This includes audits of the Transport Authority, the Student Revolving Loan Fund, a review of the Implementation of Certain Provisions of the Public Service Act, and an audit of Procurement Practices at the Barbados Water Authority.

Transport Authority

Introduction

5.2 The Transport Authority (the Authority) is a statutory body established by the Transport Authority Act, 2007 which came into force on 1st August 2008. The following are some of the functions of the Transport Authority listed in the Act:

- undertake the planning of a public transport system;
- monitor and regulate the operations of the public transport system;
- issue, cancel and suspend licences of drivers and conductors of motor omnibuses, minibuses and route taxis;
- issue, suspend or revoke permits in respect of public service vehicles;



- restrict the use of motor omnibuses, minibuses, and route taxis to specified routes;
- regulate and restrict the number of motor omnibuses, minibuses and route taxis on specified routes; and
- establish time-tables to be observed by drivers and conductors of motor omnibuses, minibuses and route taxis.

5.3 The Authority is governed by a Board of Directors which is responsible for the execution of policy and the general administration of the Authority. The Board is headed by a Chairman. The Authority falls under the purview of the Ministry of Transport, Works and Maintenance. The day-to-day activities of the Authority are managed by the Director of Transport, who is supported by a complement of thirteen officers.

5.4 Financing of the Authority is through the Consolidated Fund via annual Government grants. The Authority has received in total approximately \$5.2 million for the three financial years spanning 1st April 2014 to 31st March 2017.

5.5 The following categories of public service vehicle permits are issued:

- Minibuses
- Route Taxis
- Maxi-Taxis
- Taxis
- Tour Coaches
- Limousines



- Self-driven cars
- Omnibuses

Need for New Permits

- 5.6** In December 2016, the Transport Authority sought permission from Cabinet to have the number of route taxi permits increased by an additional one hundred and thirty. To support this request, the Transport Authority indicated that there was a strong demand for route taxi permits, and mentioned the difficulties facing the Transport Board with respect to bus availability, which necessitated an increase in the transport capacity. It is also to be noted, that concerns had been expressed in newspaper articles about overcrowding of public service vehicles on some routes.

Audit Objective

- 5.7** The objective of the audit was to determine whether public service vehicle permits for minibuses and route taxis were issued in accordance with established criteria, and that the allocation of the permits to the routes was based on a needs assessment and a stated policy.

Audit Scope

- 5.8** The audit examined activities pertaining to the issuance by the Transport Authority of the following categories of public service vehicle permits for the period April 2014 to August 2017.
- Route taxis
 - Minibuses



Methodology

- 5.9 Interviews were conducted with the Director of Transport and other officials of the Authority, and files and documents were reviewed and the necessary information extracted.

Mandate

- 5.10 The audit was conducted under the provisions of Section 113 (2A) of the Constitution of Barbados, which allows the Auditor General to “carry out examinations into the financial management of Ministries, Departments, Statutory Authorities and Government-controlled entities, including the manner in which those Ministries, Departments, Statutory Authorities and Government-controlled entities use their resources in discharging their functions as regards the efficiency and effectiveness of the use of those resources”.



Issuing of Permits

- 5.11** The Transport Authority is responsible for the issuing of public service vehicle permits. This report focuses specifically on the issuance of permits for route taxis and minibuses. In December 2016, the number of permits allowed for route taxis was increased from three hundred and seventy to five hundred. There was at that time no increase in the number of permits for minibuses, which remained at two hundred and fifty-five.
- 5.12** The process for the issuance of public service vehicle permits for route taxis and minibuses commences with an application by the person or company desirous of obtaining a permit or permits. The applicant indicates the category of permit or permits required, the amount and the reason why they require a permit or permits. An interview with the applicant is scheduled with the Permit Sub-Committee of the Board at which the applicant states their preferred route. Transport Authority personnel indicated that this Committee submits their recommendations to the Board of Directors. Once the award is granted, an approval letter is provided to the successful applicant, indicating that the permit has been awarded and the route assigned.

Audit Expectations

- 5.13** As part of the Transport Authority's function to regulate and restrict the number of motor omnibuses, minibuses and route taxis on specified routes, it would be expected that:
- Permits for minibuses and route taxis would be issued based on the demand for service on particular routes.



- The granting of permits would be based on established criteria, and all applicants would be treated in a fair and consistent manner, and the process would be transparent.

Needs Analysis

- 5.14** The audit review revealed that the awarding of public service vehicle permits for minibuses and route taxis, as well as the assigning of routes, was not based on a written policy or formal study that sought to determine the transportation needs of commuters. According to the Director, the Secretariat lacked the resources to conduct a comprehensive needs assessment, therefore allocations were guided by an unwritten process which considered various factors such as an understanding of population density, the routes requested by prospective applicants, urban or rural developments along routes, and potential travel movement. The process also involves assessing existing competition along routes, route sensitivities of the Transport Board, customer requests for service and discussions with the Chairman. The information to support the use of these factors in the issuing of permits was not provided for verification.
- 5.15** In the absence of the required data, the Transport Authority would not be in a position to determine whether there was an efficient distribution of public service vehicles (PSVs) on the routes or whether there were over-served or under-served routes.
- 5.16** The issue of too many PSVs on certain routes engaged the attention of the Board of Directors of the Transport Authority at a Board Meeting in May 2014. At that Meeting, the need for a study of travel patterns was



alluded to. The Board agreed in October 2014 that there was a need to rationalize the permits being issued, and for the process to be reviewed scientifically. There was no evidence that such a study or review was carried out in order to guide the allocation of public service vehicle permits.

- 5.17** The process for granting a permit for a route taxi or a minibus is currently driven by the applications that are submitted. The conducting of a needs analysis would, however, permit the process to be driven by the Transport Authority, who, after determining the requirements, could then solicit applications from interested persons in order to ensure that the routes are adequately serviced. This methodology should be an integral component of the Authority's future operations.

Criteria Used in Interview

- 5.18** The Transport Authority provided a document to the auditors with "draft criteria", which the Director of Transport stated was used to obtain information from the applicants during interviews. These interviews are central to the awarding of permits. These criteria focus on whether the applicant owned a vehicle or had the capacity to own a vehicle, their accessibility to insurance, the quality (driving experience) of the prospective drivers, knowledge of transport related laws, the level of operator training and the overall business viability. A review of the applicants' files revealed that in some cases permits were approved without the applicants satisfying the stated criteria.
- 5.19** It was observed that the Permit Sub-committee would recommend that the successful applicant obtain the Road Traffic Act and Transport Authority



Act and attend the training course for public service operators at the Barbados Community College. It should also be noted that applicants were not required to provide evidence to support their ability to finance the acquisition of a vehicle, and accessibility to insurance coverage. These criteria do not seem to be very important to the decision to grant a permit. This raises the question as to who they were introduced into the process in the first place.

Transport Authority's response

The use of draft criteria was to provide a structure [for] the questioning at the interview session. However, this does not limit the scope [of] the permit sub-committee's questions and therefore their determinations.

Inconsistency in Scheduling Interviews

5.20

The interview is a key element in the process for awarding a permit, and should therefore be scheduled in a fair and consistent manner. This was not the case, as some interviews were held on the same day that the applications were received, others within a week, and still others after a much longer time had elapsed. For example two applicants were interviewed almost two years after their applications were received. The manner of scheduling interviews is therefore not fair to all applicants, as it gives some of them an advantage over the others, based on the dates of the respective interviews.



Transparency in the Process for Granting Permits

- 5.21** Transport Authority personnel indicated that the recommendations of the Permit Sub-Committee, the Committee that interviews the applicants, are submitted to the Board of Directors. However, no ratification or discussions of the recommendations of this Sub-committee were seen in the Board minutes for the period January 2013 to May 2017. There were also a few meetings for which minutes of the Board were not presented. In addition, no evidence was presented to show that the Permit Sub-Committee kept formal minutes of the interviews conducted that would provide the rationale for their recommendations. It was observed however, that the applicants files contained notes from interviews relating to the criteria, but these did not include the rationale for recommending the award of the permits.
- 5.22** It is important that proper records be kept, including the taking of minutes and that adequate information relating to the allocation process be included in these records, so as to leave no doubt about the transparency of the allocation process. In the absence of such evidence, the transparency of the process could not be vouched for.

Conditions not Implemented

- 5.23** In December 2016 Cabinet approved an increase in the number of route-taxi permits that could be issued. It was stated in the paper requesting the increase that the Transport Authority would impose strict conditions on the issuance of the permits if the increase was granted. These conditions were reiterated when the Permanent Secretary, Ministry



of Transport and Works relayed the decision taken by Cabinet to the Transport Authority.

Three of these conditions were as follows:

- new permits would have assigned timetables;
- assignment of new permits to new route designations; and
- applicants would have to provide evidence of finances to commence operations

5.24 See **Appendix A** for the Transport Authority's definition of a new route.

5.25 The foregoing conditions were in some instances not fully met. No timetables (scheduled operational times for the public service vehicle) were assigned to the new permits for route taxis as proposed. In addition, the condition that permits would be issued to new route designations was not always implemented, as permit approvals were granted for Fairy Valley and Bush Hall, routes that existed prior to the December 2016 decision. It was also observed that, among the applications examined, no evidence was provided to show that finances were available to commence operations.

Information not Provided

5.26 The Barbados Audit Office requested the following information from the Transport Authority:

- The number of minibus and route taxi permits issued for all routes at intervals of two years from 31st March 2010 to 31st August 2017.



- The total number of applications received for route taxi and minibus permits during the period 1st April 2014 to 31st August 2017.
- The total number of the above applicants who were not granted permits.

5.27 Unfortunately the information requested was not provided. Therefore, no analysis could be conducted with respect to the allocation of permits issued per route over the period 31st March 2010 to 31st August 2017, nor could a determination be made with regard to the percentage of applicants who were successful in obtaining permits during the period 1st April 2014 to 31st August 2017.

Conclusion

5.28 The process for issuing of public service vehicle permits for minibuses and route taxis needs to be improved. This process should be based on written policy and a determination of demand, ascertained through the appropriate studies. There is also the need to guarantee fairness and transparency in the allocation process. The basis for awarding a permit to an applicant needs to be transparent, since some applicants received permits without fulfilling the criteria applied. A clear set of criteria is therefore needed to ensure transparency in the process. The Transport Authority has also not implemented all of the proposed conditions for new permits issued after the increase was approved.

**Transport Authority's response**

The Authority attempted to conduct a 'concessionaire' and 'developmental' research via respective sub-committees. The sub-committees determined that studies were required but costs were outside of the Authority's capabilities.

5.29

It is recommended that:

- a) *The Transport Authority conducts the necessary studies to determine the need for additional public service vehicles on routes before permits are issued.*
- b) *Interested parties be allowed to bid for permits to be issued.*
- c) *The Transport Authority requests documentation from applicants to support the criteria used in the interviews.*
- d) *The Board ratifies the award of permits.*
- e) *A fairer process be instituted for scheduling interviews.*
- f) *Formal minutes be kept for the Permit Sub-Committee interviews.*



Appendix A

Definition of New Route

A 'new' route can be quantified as:

- A route which might be in existence but not being used by a particular category of public transport e.g. Yorkshire route for minibus or route taxi categories.
- A new route added to the listing of existing routes e.g. Bridgetown to St. Christopher for route taxis. Bridgetown to St. Alban for minibuses. Oistins to Speightstown for Transport Board units.



Special Audit of the Management of Accounts Receivable of the Student Revolving Loan Fund

Introduction

- 5.30** The Student Revolving Loan Fund, hereinafter referred to as SRLF or the Fund, has been in existence for forty years, having been established in 1977 under the Student Revolving Loan Fund Act, 1976-20. Its main purpose is providing loans to students who are enrolled, or have been accepted for enrolment, in a prescribed course of study at an educational institution. The Fund is governed by the Student Revolving Loan Fund Act. CAP. 54A and the Student Revolving Loan Fund Regulations, 2010.
- 5.31** The SRLF is a State-owned Enterprise that is administered by a Committee called the Student Revolving Loan Fund Management Committee. This Committee is chaired by the Permanent Secretary, Ministry of Education, Science, Technology and Innovation, and the Deputy Chairman is the Chief Education Officer. The daily administrative duties of the Fund are carried out by an Administrative Manager and other support staff.
- 5.32** The functions of the Committee are outlined at Section 6 of the Act which states that the Committee may, subject to the directions of the Minister,
- (a) provide loans to students on such terms and conditions as the Committee determines;
 - (b) receive, disburse, invest and account for such sums as are paid into the Fund; and



- (c) do all such things as are necessary or expedient for the administration and management of the Fund.

5.33 The Fund has assisted numerous persons in pursuing higher education over the years. The number and the value of loans approved by the Fund increased over a number of years leading up to March 2015, which a major increase in both of these areas in the period April 2014 to March 2015, followed by a decline over the following two-year period.

5.34 During the period April 2013 to March 2014, three hundred and forty seven loans valuing \$12,477,886 were approved. During the following year, April 2014 to March 2015, one thousand, one hundred and sixty nine loans valuing \$24,904,395 were approved. This represented an increase of two hundred and thirty six percent (236%) in the number of loans approved, and an increase of approximately one hundred percent (100%) in the value of the approvals. This increase resulted from a major expansion in the amount of loans approved for students attending the University of the West Indies during the same period (April 2014 to March 2015), when students were required to pay tuition fees for programs pursued at the University.

5.35 The decline in the number and value of loans approved occurred during the two-year period from April 2015 to March 2017. During the year from April 2015 to March 2016, nine hundred and seventy-six loans valuing \$23,681,284 were approved, a decline of 17% in the number of loans approved, and a decrease of 5% in the value of the approvals. For the following year, April 2016 to March 2017, five hundred and forty-four loans



valuing \$12,572,951 were approved, a decrease of 44% in the number of approvals, and a decrease of 47% in the dollar value.

- 5.36** The table below shows the increase/decrease in the number and value of loans approved for the period April 2013 to March 2017.

Number and Value of loans approved from April 2013 to March 2017

	Number of Loans Approved	Value of Loans Approved \$	Increase/ (Decrease) in Number of Approvals		Percentage Increase/ Decrease From Previous Year	
			No. of Loans	Value \$	Loans	Value
2013-2014	347	12,477,886				
2014-2015	1,169	24,904,395	822	\$12,426,509	236%	99.59%
2015-2016	976	23,681,284	(193)	(\$1,223,111)	(17%)	(5%)
2016-2017	544	12,572,951	(432)	(\$11,108,333)	(44%)	(47%)

- 5.37** The table below shows the Fund's gross student loans receivable balances for the period 31st March 2010 to 31st March 2015.

**Table 1: Gross Students Loans Receivables of the Fund**

Year end	Amount (\$)
31 st March 2010	73,101,029
31 st March 2011	75,697,572
31 st March 2012	78,973,084
31 st March 2013	81,712,843
31 st March 2014	85,054,856
31 st March 2015	92,517,577
31 st March 2016	103,646,774
31 st March 2017	108,727,927

Source: SRLF Financial Statements

Reason for the Audit

- 5.38** The audit was conducted because media reports indicated that a substantial part of the loan portfolio of the Fund, approximately \$24 million, was in default.

Audit Scope

- 5.39** The audit focused mainly on the activities of the Fund for the period April 2009 to March 2015, specifically on the efforts to collect loan amounts that were in arrears. In some instances information has been updated to March 2017.



Audit Objective

- 5.40** The audit objective was to determine whether there has been adequate management of the loan portfolio of the Fund. The Audit Office also sought to ascertain what action, if any, was being taken to rectify the high level of arrears.

Audit Methodology

- 5.41** The audit staff used a number of methodologies in conducting the audit including:
- (a) Interviews with the Chairman, Student Revolving Loan Fund (Permanent Secretary, Ministry of Education, Science, Technology and Innovation),
 - (b) Interviews with management and staff of the Student Revolving Loan Fund, and
 - (c) Documentation review and analysis.



Managing Arrears of the Fund

5.42

The Fund was established as a revolving fund, and therefore it is important that loans are repaid so that sufficient cash is available to provide loans for future borrowers. The non-repayment of loans by beneficiaries can negatively impact the Fund's ability to be self-sustaining. The number of recipients who have not repaid their loans has been fluctuating over the years. The table below shows the rise in the number of delinquent loan beneficiaries over the period April 2009 to March 2017. At 31st March 2014 the number of delinquent beneficiaries was one thousand, four hundred and thirty-nine and this increased to one thousand, six hundred and ninety-four at 31st March 2016, an increase of approximately eighteen percent (18%). At 31st March, 2017, the figure was one thousand, five hundred and forty-three.

Table 2: Number of loans in arrears

Year end	Number of loans in arrears
31 st March 2010	1,467
31 st March 2011	1,569
31 st March 2012	1,502
31 st March 2013	1,372
31 st March 2014	1,439
31 st March 2015	1,478
31 st March 2016	1,694
31 st March 2017	1,543

Source: SRLF



- 5.43 The table below shows the aging analysis of gross student loans receivable as at 31st March 2010 to 2017.

Table 3: Aging Analysis of Gross Students Loans Receivable

Year	Neither Past Due Nor Impaired	Current to 180 days	181 to 365 days	1 to 2 years	Over 2 years	TOTAL
2010	31,829,581	5,235,564	3,211,263	5,854,530	26,970,091	73,101,029
2011	36,147,518	9,381,385	3,153,378	3,791,464	23,223,816	75,697,561
2012	36,173,088	10,813,483	4,239,820	5,287,537	22,459,156	78,973,084
2013	41,059,467	9,588,121	3,619,727	4,662,620	22,782,908	81,712,843
2014	42,905,906	10,985,561	3,610,795	4,395,737	23,156,857	85,054,856
2015	48,879,009	10,977,582	4,553,177	4,575,694	23,532,115	92,517,577
2016	55,113,441	13,405,131	5,720,969	5,498,733	23,908,500	103,646,774
2017	66,947,734	10,244,183	6,152,211	5,326,841	19,961,308	108,632,277

Source: SRLF Financial Statements

Process for Managing Loan Repayments

- 5.44 Beneficiaries were granted a one year grace period after completion of studies before being required to commence repayment of loans. During this period, the process required that a number of reminder letters be sent to beneficiaries. These letters were also copied to the sureties. The first of these letters was to be issued at the start of the one year period, followed by another six months later and a third, three months before the due date for commencement of repayments. It should be noted that the issuing of letters at the one year interval applied only to full-time students, whereas



the issuing of letters at the six and three months' intervals applied to all borrowers.

5.45 The Credit Unit of the Fund was responsible for monitoring beneficiaries' accounts for adherence to their payment obligations, and carrying out the necessary procedures to collect the arrears. This Unit was further assisted by the Legal Officer. The Department employed a number of methods to encourage delinquent beneficiaries to repay their loans.

5.46 After the issuing of the letters and there was continual default, or failure by the beneficiaries and the sureties to adhere to a payment arrangement, the beneficiary's file was forwarded to the Legal Officer or external attorneys for further action, including utilizing the legal remedies. There was provision within the process noted above for negotiating, at any point, an arrangement between the Fund and the beneficiary for liquidating the arrears.

Use of Sureties

5.47 Prior to 23rd June 2014 it was the policy of the Fund to allow the use of sureties as one of the options for securing loans of \$50,000 and under. The requirement for security for such loans was removed with effect from 23rd June 2014, but was reinstated on 17th November 2016. To this end, after the loan application has been processed and approved by the Management Committee, the beneficiary signs the loan agreement and the surety signs the surety contract. This indicates that both the beneficiary and surety accepted responsibility for the repayment of the loan.



Our Expectations

- 5.48** It was expected that the Fund would have procedures and policies in place to manage its loan portfolio, and that it would be robust in executing these policies and procedures in its efforts to collect the arrears. It was also expected that the Fund would monitor its operational success through the use of delivery targets which would be scrutinized constantly.
- 5.49** To determine if these expectations were met, the processes and actions taken by the Fund to minimize or recover arrears, including utilizing the legal remedies available, were reviewed. The findings are listed below.



Detailed Findings

Issuance of Reminder Letters in Grace Period

5.50 A randomly selected sample of fifty-three files of loan beneficiaries was reviewed to determine if the required letters were issued before the dates for commencement of their loan repayments. These letters act as a timely reminder to the borrowers of their obligation to the Fund.

5.51 The review found that all applicable beneficiaries received a one year letter and fifty-six percent (56%) of these letters were issued on time. There was less compliance with regard to the issuance of letters at the six month and three month intervals. In the case of the six month letters, where there were forty-eight applicable beneficiaries, a total of twenty-seven letters were issued of which less than ten were issued on time.

Audit Comment

5.52 The Fund did not achieve full compliance with the requirement for the issuance of the reminder letters. This was an important part of the collections process, as it reminded the beneficiaries of their responsibility to repay the monies borrowed. The failure to carry out this process reduced the potential impact of the Fund in encouraging beneficiaries to repay their loans.

**SRLF's Response**

Subsequent to the audit, the process has been refined where all MOR letters are now being issued six months in advance followed by the Reminder Letter three months ahead. This has shifted the processing of these letters outside of the peak loan period. In addition, there has been the introduction of reminder SMS messages, and emails during the month the borrower is due to commence payment. Furthermore, the process has been partially automated reducing the need for a significant amount of manual input. It is anticipated that this approach will see greater compliance in the completion of these tasks and contribute to the prompt repayment by borrowers.

Contacting Defaulters

- 5.53** Files for twenty-two loan beneficiaries were analyzed to determine how quickly the Fund contacted beneficiaries and sureties after they went into arrears. This group excluded beneficiaries whose due date for repayment fell after 31st March 2015, those whose accounts did not go into arrears and those whose arrears were less than or slightly above \$1,000 during the period examined.
- 5.54** There were periods ranging from one to twenty-nine months before some beneficiaries who had accumulated arrears were first contacted. In the case where the defaulter was contacted twenty-nine months after going into arrears, repayment was commenced in the very month that contact was made.



- 5.55** In a number of cases where beneficiaries had arrears in excess of \$5,000.00 no evidence was seen that these cases had either been forwarded to the Legal Officer, or outsourced, in order that more stringent measures could be applied. There was no evidence that timelines for the issuance of letters pertaining to arrears were in place during the period audited.
- 5.56** A check was carried out to determine how soon beneficiaries paid after being contacted by the Fund. Of the sixteen beneficiaries contacted, payments were received from three in the month of contact, four in the month after contact, and one was received two months after contact was made.

Audit Comment

- 5.57** Beneficiaries with arrears should be contacted at an earlier stage. This can be extremely helpful in the collection process. The payments received from fifty percent (50%) of the beneficiaries within two months after being contacted, implies that prompting can have a positive effect on the defaulter.
- 5.58** Some beneficiaries were allowed to accumulate large arrears without their cases being sent to the Legal Officer or to external collectors. The failure to contact delinquent beneficiaries and/or sureties for lengthy periods indicate that the monitoring process was not functioning as intended. The efforts of the Fund should be to reduce the arrears on beneficiaries' accounts to a minimum. Specific timelines have now been set to trigger the



issuance of arrears letters to defaulters and the Fund should ensure that these are adhered to.

SRLF's Response

The SRLF is aware of the importance of making contact with defaulters early to ensure arrears are liquidated and that regular payments are made towards the loan. Against this background the SRLF introduced an early intervention strategy in May 2016. It is hoped that adherence to this new policy initiative will result in the reduction in the arrears portfolio. In addition, systems have been put in place to ensure compliance with this new strategic approach.

Use of Legal Remedies and External Attorneys

- 5.59** The SRLF Act provides a number of measures that can be used to recover outstanding loan amounts. These include conducting civil proceedings in the High Court or the Magistrate's Court for District "A", the use of a "Notice of Unpaid Debt Certificate"² and garnishment.
- 5.60** According to SRLF personnel, the file for a beneficiary was submitted for legal action when all relevant arrears letters and associated timelines for contact or payment had been exhausted. The Legal Unit Procedures Manual indicated that a loan was recommended for litigation after the passage of the deadline for response to the letter issued by the Fund's Legal Officer.

² A certificate issued by the Fund detailing the sums of money due and owing by a defaulter. Where the defaulter does not pay the sum of money or make arrangements for the payment of the sums of money, the certificate can be filed in the High Court or the Magistrate's Court for District A and after the expiration of seven days from the date on which it is filed, it has the same force and effect as a judgement of the court in which it was registered against the person named in the certificate.



- 5.61** The information provided showed that sixty-seven loans were in civil proceedings at March 2015. Of these, eight files were examined to observe which measures were used for collecting arrears, and the benefits of utilizing these measures. It was observed that “Notice of Unpaid Debt Certificates”, and civil suits in the High Court/Supreme Court were utilized. These actions were taken against both the beneficiaries and the sureties.
- 5.62** The use of the above measures, or prompting from the attorneys, resulted in payments being made by beneficiaries and/or sureties. However, some challenges still existed, such as, promises to pay not being kept, inconsistent payments being made, delays in serving legal documents on overseas-based beneficiaries who could not be readily located, and adjournments.
- 5.63** Information provided by SRLF showed that one hundred and fifty-three loans, inclusive of those in civil proceedings, were in the hands of external attorneys as at 31st March 2016. SRLF indicated that during the period April 2009 to 31st March 2016 the outstanding balances for forty-one loans were recovered either directly through civil proceedings, or the efforts of the external attorneys. The total recovered was \$577,859. Further information available indicated that some of the external attorneys had minimum results and some files had been recalled. Therefore, the Fund was placing more reliance on its Legal Unit. The number of loans in the hands of the external attorneys at March 31st, 2017 was 93.
- 5.64** In 2009, the SRLF Act was amended to allow the garnishment of monies due to a defaulter from a third party. The garnishment process consists of two critical legal steps. Step one is the Issuance of Unpaid Debt



Certificates (UDC), and step two is the Garnishment Order. If suitable arrangements are made after the issuance of the UDC, the Garnishment Order is not issued. The Fund indicated that this method, as outlined in the Act, was not employed during the period April 1st, 2010 to 31st March 2016. However, it was reported that 43 orders for garnishment were issued in the period April 2016 to March 2017.

SRLF's Response

Prior to 2010 legal remedies available to the SRLF were limited to the filing of a claim in the Magistrates' Court at District A and following the normal legal procedure, these approaches proved to be time consuming and cumbersome and even when fully executed. In most cases some arrangement was imposed on the delinquent borrower, which saw the SRLF recovering funds years later. Furthermore, prior to February 2012 there was no attorney working in-house and as a result, all legal work was outsourced. With the hiring of a Legal Officer in February 2012 progress has been made with respect to taking legal action against delinquent borrowers.

In addition, the amendment to the SRLF Act in 2010 allowed the SRLF to issue Unpaid Debt Certificates and garnish delinquent borrowers and sureties' salaries, gratuities and pensions. The SRLF has commenced utilizing this approach from August 2016 and has reaped tremendous success to-date. However, the SRLF is hampered as the Pensions Act Cap 25 prohibits the SRLF from garnishing the gratuities or pensions of former central Government employees. This category of borrowers and sureties make up a significant part of the SRLF delinquent portfolio. Furthermore, there is only one Legal Officer to drive the legal process, limiting the



SRLF's ability to be more effective. The Management Committee, since February 2016 has approved additional posts including a Legal Officer. However, the SRLF is still awaiting the establishment of these posts by the Ministry of the Civil Service.

Tardiness in Completing the Fund's Internal Process

- 5.65** There were other observations with regard to the process for collecting the arrears for these eight files. There was tardiness in carrying out the Fund's internal processes for recovery of the arrears in six of the files reviewed. In two cases, there was no written correspondence on file dealing with the arrears for almost four years. In another there was inactivity on the file for approximately seven years and seven months.
- 5.66** The delays in the internal processes employed by the Fund further delayed the moving of these cases to the external attorneys. In most instances the arrears had surpassed \$9,000 before the matters were forwarded to the attorneys. The outstanding amount for one of the loans had reached \$86,087.09 before it was forwarded to the attorney. In addition, the time period from the repayment due date, to when the matter was forwarded to the attorney was in most cases over two years, the longest being ten years for the loan with the outstanding amount of \$86,087.09 (principle & interest).

Audit Comment

- 5.67** There are legal remedies available to the Fund and these have been used in some cases. Notwithstanding some challenges that still exist with using



these remedies, I am of the view that there was insufficient use of these methods in seeking to recover arrears. In addition, the Fund allowed several years to elapse without using garnishments as outlined in the Act. Since a number of loans don't have collateral, the legal remedies should be utilized at a much earlier stage in the recovery process.

- 5.68 It is clear that the internal processes need to be performed as quickly as possible, so that matters can be handed over to either the Legal Officer or the external attorneys. The threat of legal action should provide an impetus for beneficiaries and sureties to commence payment of outstanding loans.

SRLF's Response

The current organizational structure was recommended as far back as 2004 to deal with challenges being experienced then. The present structure was put in place in 2007 with additional posts being added in 2012. However, the present structure did not take into account the dramatic shift in the SRLF's lending policy that came into effect in 2010 and again in 2014 that resulted in a tremendous growth in its loan portfolio. The SRLF is expected to have a Technical Assessment carried out as part of the loan arrangement with the Caribbean Development Bank in the near future. It is hoped that practical solutions will emerge from that study that will assist the SRLF in increasing organizational efficiencies.

Timely intervention and collection of loans are critical to the sustainability of the SRLF. In going forward, the SRLF will endeavour to ensure that there is greater adherence to its procedures by instituting a more robust monitoring system.



Need to Establish Performance Measures

- 5.69** It is important that entities such as the SRLF institute performance measures, which can be used to determine how well the agency is meeting its objectives. This is vital, especially in their efforts to collect outstanding arrears. With the resulting information, SRLF would be able to identify shortcomings in its efforts, and implement any needed corrective measures. SRLF personnel indicated that they did not have strategic performance measures for the entity as a whole. However, there are no indicators in place to measure the individual success of the methods employed for the collection of arrears, such as the use of external collectors and legal remedies.

Impact of not Having Sureties

- 5.70** Sureties provide an avenue for the SRLF to collect arrears if a beneficiary does not honour their obligation to the Fund. This was observed during the review of the files of beneficiaries sent for legal action, where in one case, a surety paid a lump sum of \$16,563.35 to settle his portion of the debt. During the period 23rd June 2014 to 17th November 2016, there was a change in the policy, where sureties and securities were no longer required for loans under \$50,000.00. Those loans, approved without sureties or securities, will require the Fund's management to make some changes in their approach, in order to meet new enforcement challenges that will invariably arise. That change increased the risks to the Fund and the likelihood that loan delinquencies would increase. Greater attention will therefore be required to manage those risks to ensure the continued sustainability of the Fund.



Management of the fund indicated that a substantial number of loans were approved during the period when sureties or securities were not required.

SRLF's Response

The SRLF is aware of the increased risk from this portfolio of loans and has introduced new measures including the use of bailiff services to assist in its collection efforts.

Trends in loan arrears

Table 5: Arrears amount for student loans

Dates	Arrears amount (Millions) \$
31 st March 2010	24.6
31 st March 2011	25.2
31 st March 2012	25.8
31 st March 2013	24.2
31 st March 2014	27.2
31 st March 2015	25.8
31 st March 2016	26.5
31 st March 2017	24.9

Source: SRLF



Audit Comment

- 5.71** The table above shows that over the years from 31st March 2010 to 31st March 2017 the amounts in arrears have been substantial. Efforts to reduce these arrears have had limited success. This is evident from the fluctuating levels of the delinquency, as shown in the table above. These outstanding monies would be beneficial to the Fund in providing on-going loans to students.

Allowance for Loan Losses

- 5.72** The allowance for loan loss is determined by using the information in the table below. It reflects an amount which, in the Fund's judgement, provides adequately for the potential losses.

Table 6: Rates for Allowance of Loan Loss

Rate	Period of Arrears
1%	Current to 180 days
25%	181 to 365 days
50%	1 to 2 years
100%	Over 2 years
100%	Deemed uncollectible

Source: SRLF Financial Statements

- 5.73** During the period April 2009 to March 2017, the allowance for loan losses fluctuated. It moved from \$35.25 million at 31st March 2010 to \$33.29 million at 31st March 2017 reaching its' highest at \$35.94 million at



31st March 2016 and its' lowest at \$33.29 million at 31st March 2017. However, the financial statements have been qualified because the Fund's auditors were not able to assess the reasonableness of the allowance for loan losses. They had indicated that "the Student Revolving Fund had not assessed whether its provisioning policy appropriately approximated the actual losses on its loans, neither had the Fund accumulated repayment data in a format that would facilitate this assessment of actual losses."

- 5.74** The Fund has made one hundred percent (100%) provision for loan losses in respect of loans outstanding for over two years. This policy should be reviewed, as suggested by the auditors.

SRLF's Response, 2017

This situation is currently being addressed in consultation with the external auditors.

Conclusion

- 5.75** Based on the review, the Fund had not been as robust in its efforts to recover outstanding monies as it should have been. This was evident from the number of instances where several months elapsed before initial contact was made with defaulters. In addition, follow-up correspondence with defaulters took several years in a few cases, reaching as high as a period of seven years in one case.
- 5.76** Although the Fund has been set up to assist students in pursuing their academic goals, it must engage in vigorous action to recoup the monies owed, in order that it can survive without external injections of funds. In



cases where the loans were only guaranteed by sureties and no collateral, the Fund was limited in terms of its recourse for collection of arrears.

5.77 The efforts of the Fund to collect arrears would be enhanced if it had the necessary performance measures to monitor its success, aid in determination of what methods are working, and guide the way forward.

5.78 *It is recommended that:*

- *The monitoring of beneficiaries' accounts should be improved:*
 - *To ensure that defaulters and sureties are contacted as soon as their accounts incur arrears; and*
 - *To ensure that chronic defaulters and sureties are forwarded to the Legal Officer and/or external attorneys within a reasonable time.*
- *All measures for recovery of debts allowed under the Student Revolving Loan Fund Act Cap. 54A should be utilized as soon as possible.*
- *The SRLF should conduct a study to determine whether its provisioning policy is appropriate for calculating the allowance for loan losses.*
- *The SRLF should institute the necessary performance measures, along with the requisite systems, in order that it can*



measure achievement of its objectives and determine the success of the collection methods.

- *The Fund should ensure that it institutes procedures to adequately manage the increased risks of non-collection of those loans issued without sureties or security.*

SRLF's Response

Procedures have been implemented to ensure early intervention and systems put in place to make sure officers are being compliant.

The issuing of Unpaid Debt Certificates and Garnishments commenced in August 2016. However, the SRLF needs additional personnel to ensure this process is followed efficiently and regularly. In addition, the SRLF needs to have the legal right to garnish the pensions of former central Government employees who are borrowers or sureties.

A study was conducted on the provisioning policy by a consultant in 2013. However, the recommendations emerging from that study were not satisfactory to the Management Committee and therefore not implemented. However, the matter is again being given active consideration. These will be implemented from FY 2017-18

The SRLF is aware of the increased risk and has segregated this portfolio of loans for special attention. In addition new measures including the use of bailiff services have been introduced to assist in its collection efforts.



Special Audit of the Implementation of Certain Provisions of Section 13 of the Public Service Act and Disciplinary Matters

Introduction

Background

- 5.79** This report presents the findings of the audit conducted on issues pertaining to the Implementation of Section 13 of the Public Service Act, CAP 29, and a follow-up audit on progress made in addressing disciplinary matters in the Public Service.

Audit Objectives

- 5.80** The audit objective was to determine the extent to which the provisions of the Act relating to the establishment of permanent posts, the appointment of officers and the processing of disciplinary matters, have been adhered to.

Audit Scope and Methodology

- 5.81** The review covered the period 2007 to 2017, and involved the examination of relevant Cabinet Papers, Legislation, files at various Ministries, and interviews with personnel including the Permanent Secretary, Ministry of the Civil Service, and the Chief Personnel Officer. Detailed testing of the implementation of Section 13 and the disciplinary process was carried out using information obtained in relation to several Ministries.



Mandate

- 5.82 The mandate of the Auditor General is set out under Section 113 of the Constitution of Barbados. Subsection 2A states that the Auditor General “may on his own initiative carry out examinations into the financial management of Ministries, Departments, Statutory Authorities and Government controlled entities, including the manner in which those entities use their resources in discharging their functions as regards the efficiency and effectiveness of the use of those resources.”



Impact of Public Service Act On The Appointment Process

The Public Service Act

- 5.83** The Public Service Act was passed in December 2007, and was subsequently amended in 2010. The Act contains provisions that mandate a more stringent timeline for the establishment and the filling of vacant posts. Temporary posts in existence for over three years at December 31st 2007 were to be made permanent. Thereafter, temporary posts were to be established within six years of their creation. The only exceptions to these rules would be posts created for projects.

Detailed Findings

- 5.84** This section assesses the impact of the relevant provisions of the Public Service Act, CAP 29 on the appointment of officers and the establishment of posts in the Public Service.

Establishment of Posts

- 5.85** At 31st December 2007 there were over three hundred (300) offices which had been created by the Ministry of the Civil Service, but which had not been permanently established. Two hundred and fifty (250) of these temporary posts had been in existence for more than three (3) years, and should have been established in accordance with Section 13 (5) of the Public Service Act, CAP 29. It was noted that two hundred and twenty



(220) of these positions were made permanent in 2008; as a result, significant success has been achieved with the implementation of this provision.

Six Year Limit on Temporary Posts

- 5.86** The Public Service Act sought to address issues related to a timelier establishment of temporary posts. Section 14 of the Act mandates that offices are to be kept temporary for no more than six years before being made permanent. The exceptions to this are project offices, which are created only for the life of the project. Information from Government's Human Resource Module showed that at 31st December 2017 there were approximately two thousand (2,000) temporary posts with over fifteen hundred (1,500) being in existence for over six years. In this regard the relevant provisions in the Act had not been fully complied with.

Appointment of Persons with Three Years in the Public Service

- 5.87** One of the main aims of the Act was to facilitate the permanent appointment of any person employed in a temporary capacity in the public service for three or more years immediately prior to 31st December 2007. The Act stipulated that the Officer should be appointed to the post in which he/she was acting, or to a post of a similar grade, with effect from 31st December 2007, and should be treated as being so appointed.
- 5.88** Available information suggests that prior to 2007 there was no fixed time for appointments to vacant posts. For general service posts, such as Clerical Officer, vacancies could exist for more than five years before being filled. The lack of timely action to fill vacant posts would have influenced the



conditions at the 31st December 2007, where over three thousand (3,000) public officers would have been affected. Some of these officers had been acting for over three years, or had been working in a temporary capacity for many years with at least one officer being temporary for nineteen years.

5.89

It was estimated that three thousand, three hundred (3,300) officers were entitled to be appointed under the Public Service Act, CAP 29. According to the records of the Personnel Administration Division (PAD), by the end of July 2008 a total of one thousand, one hundred and eighty (1,180) permanent appointments or appointments on promotion were processed, approved and appointment letters issued. The table below indicates the number of persons appointed under the provisions of the Act with effect from the 31st December 2007, and the actual year the appointment process took place.

Year appointed	No. of persons appointed per year
2008	1,180
2009	1,252
2010	576
2011	44
Total	3,052



Implementation Issues

5.90 A number of issues arose in trying to implement this Section of the Act, in particular where the number of eligible officers for appointment in some offices exceeded the number of vacant established posts. In February 2009, the Chief Personnel Officer sought guidance from the Permanent Secretary, Ministry of the Civil Service, in situations where insufficient vacant posts had been identified in which to appoint all eligible officers.

5.91 The Permanent Secretary, Ministry of the Civil Service, interpreted “shall be entitled to be appointed to that office or an office of a similar grade with effect from the date of the commencement of this Act; and shall be treated as being so appointed” to mean that a temporary officer who met the stated criteria would have had a claim to appointment. However, such a claim could only be realized if a vacancy had existed at the 31st December 2007. This interpretation was supported by a legal opinion, from the Office of the Solicitor General, which the Permanent Secretary communicated to the Chief Personnel Officer.

Establishment of Additional Posts

5.92 It should be noted that in order for all officers who met the qualifications criteria at 31st December, 2007 to be permanently appointed, the requisite number of established posts would have had to be in existence at that time. This was apparently not considered and hence created some uncertainty on how the process should proceed. In order to resolve this issue, a number of posts were subsequently established retroactively to the 31st December 2007, to allow for appointment of Officers who met the appointment criteria but did not have a post to be appointed to. In 2016,



one hundred and forty-nine (149) additional posts were established to facilitate the appointment of persons who met the appointment criteria. However, there are still approximately fifty-six (56) teachers for whom additional posts will be required. These temporary positions are yet to be established under a Public Service (Teachers) Order, with an appropriate note included from Section 13 (7) of the Public Service Act, CAP 29.

Filling of Vacant Posts within One Year

- 5.93** Under Section 13 (11) of the Public Service Act, CAP 29, a provision was included whereby established offices should not be kept vacant for more than one year, except with the permission of the Governor General on the advice of the Service Commission, or if the office has been frozen by the Minister. There was previously no requirement that an office must be filled within any specific time period. As indicated earlier, a number of posts had remained vacant for in excess of fifteen years. However, the Chief Personnel Officer has been making attempts to fill vacant posts.
- 5.94** A review of the Smart Stream Human Resource Module shows that there were five thousand, four hundred and fifty-eight (5,458) posts to which no one was permanently appointed at 31st December 2017. The majority of these positions were vacant for several years, which is a contravention of the Act. This indicates that not much progress had been made in the timely filling of vacancies.
- 5.95** It is not clear how the time-frame of one year to fill any vacancy was arrived at. This should have been established after the examination and determination of the time required to complete the various steps needed to



fill a vacancy, the amount of vacancies to be filled within a given period, and the institutional capacity of the responsible agencies involved in the process. There was no information available to suggest that such an analysis was undertaken.

Conclusion

- 5.96** The issue of appointment to vacant positions has been an outstanding matter that requires analysis of the appointment process to see how it can be streamlined and made more efficient. The build-up of vacancies since 2007 would indicate that the current processes employed do not allow for the expeditious filling of posts. There is therefore a need for an examination of the appointment process to see how it can be shortened.
- 5.97** With the exception of project posts, temporary posts are not to exist for more than six years; however, this has not been the case. The establishment of posts is done through the approval of the relevant orders by Parliament. It is therefore necessary to have these orders approved more frequently, in order to facilitate the accomplishment of the purposes envisioned by the Act.

Recommendations

- 5.98** The following recommendations should be considered in streamlining the appointment process and facilitating greater efficiency in the process:
- i) Review of the appointment process to determine a more accurate time frame for the filling of vacant positions.*



- ii) *Conduct a review of the recruitment process with a view of streamlining the process to make it more efficient.*
- iii) *Establishment of posts within the time frame set by the law.*



Disciplinary Matters

- 5.99** In a previous Special Report on 'Late Payment of Salaries and Disciplinary Matters' (2012), it was noted that there were sixty-nine (69) cases of a serious nature before the Service Commissions. A number of these cases had been outstanding for over three years.
- 5.100** The Public Service Act, CAP. 29, has made provision for a number of measures to expedite the disciplinary process. These include the appointment of a Resident Panel, from which investigatory committees are established to adjudicate on disputes, and the establishment of a Public Service Appeal Board to hear appeals from public officers against decisions (except dismissal) made by the Public Service Commission.
- 5.101** This follow-up review examines the issues, challenges and success of these measures.

Delays in the Disciplinary Process

- 5.102** As at the 31st March 2018, there were some twenty-nine (29) cases of disciplinary matters before the Public Service Commission. Some of these cases entailed misconduct of a serious nature and were outstanding for more than three years. In twelve (12) of these cases, investigation reports were outstanding from Ministries for between one to three years. Ten (10) matters were actively being addressed by investigative committees, and seven (7) cases required legal advice or other information before they



could be adjudicated. There is one matter, in which an officer has been placed on half salary for over ten (10) years, but no charges have so far been brought against the individual, and this matter needs to be urgently addressed.

Impact of Resident Panels

- 5.103** Under the Public Service (Amendment) Act, 2010-1, provision was made for the appointment of a Resident Panel (the Panel) of not less than ten persons. Out of this panel, Investigatory Committees of three members each were to be established to adjudicate on disciplinary matters of a serious nature. The recommendations of the Committee should be sent to the Public Service Commission for its consideration and decision. One of the members of the Committee must be an attorney at law. The Panel has been established since 2014 and the current membership stands at twenty-seven (27).
- 5.104** The introduction of the Resident Panel was an attempt to increase the number of hearings regarding disciplinary matters, and thus expedite the disciplinary process. The Panel initially faced some challenges, particularly administrative, as it had difficulty in obtaining a fixed place to meet. This matter now appears to have been resolved with hearings being held in the facilities of several Government agencies.
- 5.105** The Investigatory Committees have so far been given sixteen (16) cases to adjudicate since they started functioning in 2014. Of this number, six have been completed and the other ten were on-going at 31st March 2018. Reports not submitted to the Commission in a timely manner have impeded



the cases being referred to the Investigatory Committees, which has resulted in the small amount of cases being adjudicated.

Costs to Government

- 5.106** There is a significant financial cost associated with administering disciplinary matters. Our review showed that between December 2002 and March 2018, the wages and salaries paid to officers on suspension for disciplinary matters was approximately \$2.099 million. Added to this figure is the cost of administering the process, including the salaries of the disciplinary unit and the cost of servicing the Investigative Committees. As at the 31st March 2018, there were three suspended officers receiving half pay, and another twenty (20) receiving a full salary. These officers are being paid without any contribution to productivity in the Public Service, and in most cases a substitute is being employed. These factors highlight the need to have disciplinary matters concluded as promptly as possible.

Appeal Board

- 5.107** Provision for the Public Service Appeal Board (the Board) was made as a result of an amendment to the Constitution in 2007 under Section 98A. This Board allows for appeals against disciplinary decisions, other than dismissal. Appeals regarding dismissal can only be made to the Privy Council.
- 5.108** In one case in which a disciplinary matter was heard by the Investigatory Committee, it found the officer guilty of the charge and recommended suspension on half pay for a period of six months. However, the officer



appealed the decision to the Public Service Appeal Board but, due to the fact that the Board has not yet been constituted, the officer has not been able to exercise the right to appeal, and to have the matter resolved in a reasonable time. This matter needs to be addressed.

Conclusion

5.109 The process of administering disciplinary matters is costly to Government and the individuals involved. It negatively affects the officers who face prolonged periods of uncertainty surrounding their future careers. The number of disciplinary cases outstanding is not very large; however, the late submission of investigative reports and other information is negatively affecting the process.

5.110 Since the issue of the last audit review of the disciplinary process in 2012, the Resident Panel has been introduced, and its investigative committees have adjudicated on a number of cases. However, the other agencies, such as Ministries and Departments, must fully cooperate by providing the Commission with the relevant investigative reports, so that cases can be heard in a timely manner. This should allow for a speedier handling of disciplinary matters. The matter involving the officer who has been suspended for over ten (10) years without any charges being brought is unacceptable and needs to be urgently addressed.

Recommendations

- i) *Ensure that the Public Service Appeal Board is set up as soon as possible by the relevant authorities.*



- ii) *Investigative reports from the Ministries/Departments should be submitted to the Chief Personnel Officer in a timely manner for submission to the Public Service Commission.*
- iii) *The Ministries/Departments should be requested to submit reasons why the information requested could not be provided. Failure to submit the required information should result in action being taken against the appropriate personnel.*



Audit of the Procurement Practices of the Barbados Water Authority

Executive Summary

- 5.111** The Barbados Water Authority (BWA) is one of the largest Statutory Agencies in Barbados, with an annual budget in excess of BDS \$90 million, and a staff compliment of over eight hundred (800). It was established by the Barbados Water Authority Act, CAP. 274A. The BWA's main function is to provide potable water to domestic and commercial users in the Country.
- 5.112** The Authority has experienced some challenges in its procurement activities in the past, and these were highlighted in previous audit reports. Over the past several years, the Authority has been actively pursuing major capital works projects, and these activities have triggered a need for a review of the current procurement practices at the Authority. This is in order to determine whether the BWA is in compliance with its mandate, rules, regulations and guidelines as they relate to procurement.
- 5.113** This audit was carried out in conjunction with other member states of the Caribbean Organization of Supreme Audit Institutions (CAROSAI). These regional audit offices have been conducting simultaneous procurement audits in their respective territories, with the aim of sharing audit approaches and plans with each other. The purpose of these audits was to assess the general adequacy of procurement practices across the region. This audit assessed the planning, sourcing and management of the acquisition of a number of water tankers by the Barbados Water Authority, and the extent to which the related activities complied with the



established guidelines. These tankers were acquired during the financial year 2016/2017.

FINDINGS

5.114 Below is a summary of the main findings of the audit:-

- **Sourcing**

5.115 Through a public tender the BWA requested bids for the acquisition, through either lease or purchase, of four (4) water tankers to assist with its water distribution efforts throughout the country, which was experiencing water shortages. Three firms submitted tenders. However, two firms did not meet the qualifying criteria for leasing and purchasing. The BWA's Evaluation Committee nevertheless decided to examine the proposals of Firm 1, which met the tender conditions for purchasing and leasing, as well as the proposals of Firm 2, which did not supply a lease proposal as required by the tender.

5.116 The Evaluation Committee recommended the award of the contract to Firm 1. This recommendation was submitted to the Audit, Finance and Tenders Committee, which requested that the two entities whose bids were considered submit revised prices by February 2015. Firm 1 submitted a response within the required timeframe, and the revised price was disclosed at the Board meeting held on 12th February 2015. Firm 2 submitted their response in a document dated 13th March 2015. The Board recommended that the four tankers be purchased from Firm 2, which had submitted a lower bid the second time around.



- **Leasing of Tankers**

5.117 Notwithstanding its decision to purchase four water tankers, the Board was subsequently asked to approve the leasing of eight tankers from Firm 2, at a monthly cost of \$60,000 plus VAT, for five years (60 months). The approval was granted at the Board meeting held on 5th November 2015. However, it should be noted that the Lease with the company for eight (8) tankers had already been signed on the 1st November 2015 – before the request came to the Board. The time-period agreed for the lease in this arrangement was sixty-three (63) months, three months more than what the Board was asked to approve. The Audit was informed that a lease agreement would have allowed the BWA to stagger the payments over five years, whereas the purchasing of tankers would have required an immediate outlay of \$2.44 million.

5.118 After the Board had agreed to the proposal (to lease eight water tankers over a sixty (60) month period) the Ministry's approval was sought and obtained. It is not clear why the Board would be asked to agree to an arrangement that had already been concluded without its input, and why the Ministry and the Board were asked to approve a lease for a term of sixty (60) months although the contract had already been signed for a period of sixty-three (63) months. Subsequently, another company, informed the Authority, that it had been assigned the lease.

- **Contract Clauses**

5.119 The current arrangement has resulted in the exclusion of a number of safeguard provisions in the tender documents the Authority issued. The BWA is currently responsible for all scheduled servicing and maintenance



of the tankers, for keeping them in good repair, and for their insurance. Under the terms outlined in the tender, these costs were to have been the responsibilities of the Lessor.

- **Monthly Lease Payments**

5.120 Even though one of the water tankers was in an accident and has not been replaced, full monthly lease payments of \$8,864.08 have continued to be made for the vehicle. This has placed the Authority in a disadvantageous position, since it is making lease payments for a tanker without being able to utilise its services, even though the Insurance Company has compensated Firm 4 for the written-off tanker.

5.121 In addition, the amount that should be paid monthly in accordance with the Lease Agreement is BDS \$67,956.78, instead of the BDS \$70,912.68 being paid to Firm 4. There is no evidence that this variation was approved by the Board.

Conclusion

5.122 The BWA has acquired a number of tankers under circumstances in which the tender process did not comply with its policies as the contract was awarded to a company which did not meet all the necessary tender conditions.

5.123 There was no evidence of a financial analysis or evaluation of the terms and conditions of the proposal before a decision was taken. This would have ensured that the decision makers had relevant information in awarding the contract. There was also no evidence that the contract



terms, which varied from the tender requirements, were subject to any negotiation between the parties.

- 5.124** The Board should have examined its options when only one tender met the criteria. It could have awarded the contract as recommended by the Evaluation Committee, sought new bids from the public, or requested quotes from all relevant local suppliers. Instead, it was selective in considering one of the firms which did not meet the tender requirement, while omitting the other. In addition, the procedure in examining the revised bids lacked transparency, since they were not opened simultaneously.

Recommendations

- i. The BWA needs to adhere to its tender rules, and all firms should be required to adhere to tender requirements or have their bids rejected.
- ii. The submissions for all bidders should be opened at the same time for the sake of transparency.
- iii. No one should commit the Organization to any major capital procurement without the approval of the Board and the Ministry. There should be consequences for such actions.
- iv. The Barbados Water Authority should liaise with the firms involved to put in place a Deed of Assignment between the three parties, clearly outlining their roles and responsibilities.



- v. The BWA should ensure that all contracts are reviewed by an attorney-at-law before being signed, to ensure that the necessary safeguards are in place and the interest of the Authority is protected.



Introduction

Background Information

- 5.125** The Barbados Water Authority (hereinafter referred to as the BWA or the Authority) is one of the largest statutory agencies operated by the Government of Barbados. It was established by the Barbados Water Authority Act, CAP. 27 4A. The BWA's main function is to provide potable water to domestic and commercial users in Barbados.
- 5.126** This audit is being conducted in association with other audit offices in CAROSAI as part of a knowledge sharing approach in reviewing procurement activities. The Procurement Unit is the purchasing arm of the Barbados Water Authority. The Unit is responsible for the acquisition of goods and services including capital works. This is accomplished in three basic steps: - Planning, Sourcing and Contract Management. Planning for the acquisition of goods, services and capital works for the Barbados Water Authority begins with the Heads of Departments preparing and submitting their plans for the year to the Financial Controller for review. These plans are combined into the Procurement Plan which is approved by the Board. Included in the plan are capital works programs.
- 5.127** For the financial year 2016/2017, the acquisition of four water tankers was included in the Procurement Plan as part of the capital works. These tankers were to assist in alleviating the water shortage problems in the St. Joseph area and to strengthen the BWA's fleet. The major focus of the audit pertained to the Authority's practice in the sourcing and acquisition of these tankers.



Our Expectations

5.128 It was expected that the Procurement Unit would have in place guidelines for the acquisition of assets, as well as procedures which governed the activities of staff, allowing for economy and effectiveness in the procurement process. The Rules and Regulations as set out in the BWA's Procurement Procedures and Financial Directives, as well as the Financial Management and Audit (Financial) Rules, 2007-11 pertaining to procurement should be followed by management and the Board of the Authority.

Audit Objectives

5.129 The main objective of this audit was to determine whether the Barbados Water Authority's actions in respect of the acquisition of the water tankers were in compliance with its procurement procedures and directives. The sub-objectives were to determine whether, in relation to the purchase of the tankers:-

- The planning practices of the Authority complied with its Procurement Procedures, other relevant Acts, Policies and Regulations, and were properly documented and approved.
- The sourcing practices of the Authority complied with its Procurement Procedures, the Financial Management and Audit Act, 2007-11, the Financial Management and Audit (Financial) Rules, 2011, and other relevant Acts, Policies and Regulations.



- The contract management practices of the Authority complied with the relevant Acts, Policies and Regulations.

Subject Matter, Scope and Criteria

5.130 The subject matter of this audit was the procurement practices of the Barbados Water Authority in acquiring water tankers during 2016. This audit covered all aspects of the procurement process: planning, sourcing, and contract management for these tankers.

5.131 The audit criteria were drawn from the Financial Management and Audit (Financial) Rules, 2011, the BWA's Procurement Procedures, the Financial Directives issued by the BWA, the tender documents, and the contract agreements of the Barbados Water Authority.

Audit Methodology

5.132 Interviews were conducted with the General Manager, the Financial Controller and other Senior Officials of the Barbados Water Authority. In addition, information was collected and analysed. This included information retrieved from files and other records.

Audit Mandate

5.133 The audit was conducted in accordance with Section 113 (2A) of the Barbados Constitution. Under this Section, the Auditor General may on his own initiative carry out examinations into the financial management of Ministries, Departments, Statutory Authorities and Government controlled entities, including the manner in which entities use their resources in



discharging their functions as regards the efficiency and effectiveness of these resources.



Audit Findings

Acquisition of Goods & Services

5.134 The procedures for the sourcing of goods and services by the Barbados Water Authority are set out in the Procedures Manual of the Authority, in addition to the Financial Directives. The Audit, Finance and Tenders Committee has responsibility to ensure that the most favorable terms for the acquisition of goods, work and services are obtained on the principles of competitiveness and transparency.

5.135 The following matters with respect to the acquisition of the previously mentioned water tankers were observed:

- **Planning Process**

5.136 The BWA complied with aspects of the planning procedures, such as the issuing of tender notices. Provision had also been made in the Authority's budget for the purchase of the tankers, and this was approved by the Board of Directors. The planning process therefore complied with the procedures established by the BWA.



Sourcing Process

Evaluation of tender submissions

- 5.137** The Authority requested tenders to submit proposals for the purchase or lease of four water tankers. Tenders were submitted by three firms (hereafter referred to as Firm 1, Firm 2 and Firm 3), and the submissions were evaluated as per the specifications outlined in the table:-

√ means satisfied criteria, X means did not satisfy criteria

Conditions as per tender document	Firm 1	Firm 2	Firm 3
<i>Purchase of Water Tankers</i>			
Price	√	√	√
Right hand driven	√	√	X
Hood green with white top	√	√	X
<i>Lease of Water Tankers</i>			
Price for rental of tanker	√	√	√
Supplier will insure the tankers	√	X	Built into price
Lease period of sixty months	√	X	X
Notice of assignment if lease is assigned	√	X	X
Supplier will maintain the tankers	√	X	Built into price

- 5.138** Based on the submissions, Firm 1 complied with the terms and conditions for both purchasing and leasing of the water tankers. The Authority's



Valuation Committee disqualified Firm 3 for having not met some of the specifications required by the BWA for the water tankers and its bid was not evaluated. Firm 2 also did not meet all the terms and conditions as set out in the tender documents for leasing; however, its bid was evaluated by the Committee.

Audit Comment

- 5.139** The firms which did not meet the criteria should have been treated in the same manner, and both should have been disqualified. The Authority had the option of asking for new tenders if those received were inadequate. In any event, the action taken in relation to bidders should have been consistent, and the established procedures for the tender process respected.

Awarding of Contract

- 5.140** The Evaluation Committee examined the tenders and recommended that Firm 1 be awarded the contract for the purchase of the tankers. The decision was based on Firm1's submission of the lowest evaluated bid of BDS \$336,000.00 per unit, in contrast with Firm 2's bid of \$358,570.24 per unit. The recommendation of the Evaluation Committee was submitted to the Audit, Finance and Tenders Committee (the Committee), which then requested that the two bidders submit lower prices, and their responses were to be received by February 2015.
- 5.141** At the Board meeting held on the 12th February 2015, it was noted that only Firm 1 had submitted revised prices, and the Board decided that a final decision would be taken when the revised prices from Firm 2 were



known. The revised prices from Firm 2 were submitted in a document dated the 13th March 2015, which was after the deadline date of February 2015. The revised prices from Firm 1 were disclosed in the Board minutes of 12th February 2015, whereas those from Firm 2 were received at a later date, but were not disclosed in the Board minutes.

5.142 The policy of the Barbados Water Authority has been that all tenders are opened in the presence of witnesses around the same time on a given date. This procedure should also have been adopted for revised submissions; it was however not carried out and brought into question the transparency of the process in this regard.

5.143 Following the submission of the revised prices by both bidders, the Board recommended to the Authority's parent Ministry, that Firm 2 should be awarded the contract to supply four water tankers to the Barbados Water Authority at a cost of BDS \$306,734 per tanker. Firm 1 had offered BD\$328,547 as its revised price.

5.144 The parent Ministry (the Ministry of Agriculture) granted the approval for purchasing the water tankers on the 10th August 2015. The Board made known its offer to Firm 2 in a letter dated 25th August 2015, and it was accepted by Firm 2 in a letter dated the 31st August 2015.

Audit Comment

5.145 The awarding of the contract to Firm 2 was not in compliance with the Tender document, which specified the qualifying criteria. The Authority should have awarded the contract to Firm 1, or requested new submissions.



Events subsequent to the Award of Contract

- 5.146** On 5th November 2015, at the 8th meeting of the Board of Directors for that year, it was stated that approval had been granted for the purchase of four (4) water tankers originally, but that a decision was subsequently taken that four (4) additional tankers would have been required, and the supplier had agreed that the water tankers could be acquired under a lease arrangement. It was stated in the minutes that the Board's approval was being sought for the lease of eight (8) water tankers from Firm 2 at the cost of BDS \$60,000 plus VAT per month, for five (5) years.

Audit Comment

- 5.147** The original decision was for the purchase of four (4) tankers, but was subsequently changed to the leasing of eight (8) tankers. This was a substantial change, which should have required resubmission of tenders. It should be noted that Firm 2, the successful bidder, did not indicate the terms and conditions for a lease in its original offer. This factor was important, as Firm 1 had indicated that it was willing to pay insurance and maintenance for the vehicles over the lease period, and these costs, which are now being borne by the BWA, could be substantial. There was no evidence that this factor was taken into account in making the decision.

Private Negotiation with Supplier

- 5.148** The Authority was on the 1st November 2015 tied to a contractual agreement with Firm 2, for the leasing of eight (8) water tankers. This was prior to the Board meeting of 5th November 2015. According to documents seen, this was done without the prior written approval of the



Board and the Ministry. The Board subsequently agreed to the proposal (to lease eight water tankers over a sixty (60) month period) as presented at the meeting held on the 5th November 2015, whereas the Ministry's approval was sought in a letter dated 18th November 2015, and granted on the 27th November 2015. It should also be noted that the Board and the Ministry were asked to approve a lease for a term of sixty (60) months although the contract was signed for sixty-three (63) months.

Conclusion

- 5.149** The Barbados Water Authority deviated significantly from compliance with its procurement policies and procedures in the sourcing and tendering practices for the purchasing and leasing of the water tankers. The tender process was compromised from the time the bid from Firm 2, who did not meet the qualifying criteria, was examined. There is also no indication, that the various options (lease versus purchase) were the subject of any vigorous financial analysis to determine which would have been in the best interest of the Authority. It is not clear why the contract would be signed, and then the approval of the Ministry and the Board sought. This was contrary to the Authority's established method of procuring goods and services. This was unacceptable behaviour. The Audit also noted that some terms and conditions accepted were at variance with the requirements of the tender document, and weakened the position of the Authority versus the Lessor. The Authority should have taken steps to have these matters subjected to legal review.



Recommendations

5.150

It is recommended that:

- i. The BWA should establish clear rules on actions to be taken when only one bidder meets the tender requirements.
- ii. If additional information is required, the submissions for all bidders should be opened at the same time for transparency.
- iii. The BWA should comply with the rules and regulations in their Procurement Procedures, and the procurement aspect of the Financial Management and Audit (Financial) Rules, which it indicated that it is subject to.
- iv. Persons should be severely sanctioned for entering into contractual agreements without the permission of the Board and Ministry as required.
- v. There needs to be a financial analysis undertaken of the proposals, and legal advice sought before finalizing major contracts.



Contract Management

Background

5.151 This section of the Report examines issues pertaining to the management of the contract entered into with Firm 2, and which Firm 2 unilaterally reassigned to Firm 4. The Audit observed the following matters:-

- **Evaluation Of Tender Requirements Against Contract Terms**

5.152 The audit matched the terms and conditions of the contract with those of the tender notice, and noted that a number of key provisions which would have protected the interest of the Authority were not contained in the contract. These included the following:-

- Lessor to repair the vehicle in a reasonable time if the water tanker is disabled.
- Lessor shall also pay a penalty for the man hours not utilized, but paid for by the Lessee when work crews are unable to perform their duties as a result of the vehicle not being available after two working days. The penalty shall be at the rate of 10% plus the daily rate of the affected work crew for the vehicle not being available and shall include the two working days.
- Lessor to maintain insurance coverage at its own cost throughout the lease period.



- Lessee to be notified if lease was assigned to a third party and agrees to accept and comply with the notice of assignment.

5.153

The Audit however noted that the contract included several provisions which clearly were not in the best interest of the Authority, and which had not been included in the tender document. These included the following:-

- The BWA was required to carry out the administrative work and meet the cost in obtaining the water tankers from the Bridgetown Port.
- The BWA should procure and continuously maintain and pay for all risk insurance against loss of and damage to the equipment for not less than the full replacement value of the equipment, naming Lessor as loss payee, and combined public liability and property damage insurance with limits as approved by Lessor, naming Lessor as additionally named insured and a Loss Payee.
- During the lease term, all scheduled servicing and maintenance should be performed at such garage or repair shop as designated by the Lessor at the Lessee's expense. The Lessor, at the Lessee's cost and expense, should keep equipment in good repair, condition and working order, and should furnish any and all parts, mechanisms, and devices required to keep the equipment in good and working order, all at the Lessee's cost and expense.
- Without the Lessor's prior written consent, the Lessee should not assign, transfer pledge or otherwise dispose of this lease.
- Neither the Lessor nor Assignee had to give notice in the event of the contract being assigned to a third party.



Audit Comment

- 5.154** The Barbados Water Authority had clearly set out its requirements in the tender document. However, in the actual contract most of these requirements were replaced with provisions that clearly benefitted the Lessor and created additional expenses for the BWA. It is not clear why the BWA would have agreed to such unfavourable terms and conditions. The non-inclusion of the safeguards severely weakened the Authority's position in relation to the Lessor. The BWA should have sought legal advice on the contract/lease agreement before the Parties to the contract executed it; however, the Audit found no evidence which indicated that, prior to the signing of the contract, this was done by the Authority

Assignment of Contract

- 5.155** The assigning of the lease agreement to a third party (Firm 4), by Firm 2, has resulted in a situation where the Authority subsequently received legal advice that there should be a deed of assignment between the Authority, the Lessor and the Assignee. This Deed of Assignment should outline the rights and obligations of each party to the agreement, on issues such as the security deposit, penalties and other issues that might arise during the course of the contract period. This would be a step in the right direction by the Authority.

Changes in Contract

- 5.156** The correspondence to BWA from Firm 4 set out new financial terms for the lease, including increasing the monthly payment from BDS \$67,956.78 to BDS \$70,912.78. The Authority provided no documented evidence to



show that the Ministry or Board approved the increased cost of the lease. However, in order for any changes to be made to this contract after Firm 2 and the Authority executed it, Clause 29 of the said contract required a written agreement signed by these two parties. The Authority has not provided the Audit with any evidence of such an agreement.

Security Deposit

- 5.157** The Authority has not provided any clarity on the BDS \$407,740 security deposit paid to Firm 2, which signed the original contract. This deposit was to be used in part, to meet any situation where the Authority did not meet its obligations. With the assignment of the contract to another firm, there is uncertainty as to who will be responsible for the repayment of the security deposit at the end of the contract period. This matter should have been resolved at an earlier stage.

Options under the Lease Agreement

- 5.158** The assignment of the lease agreement to Firm 4, will result in the Authority making payments of BDS \$4,468,505.15 (\$70,912 x 63) over the contract period. It would be difficult to compare this offer with that of Firm 1, since this company's offer had included the payment of insurance and maintenance over the contract period. These are not currently provided by current assignee.
- 5.159** No evidence was found that the Board was given or sought a financial assessment of the offers in making its decision. Such analysis would have shown the various costs associated with the options of lease versus purchase by various firms, and assisted in making an informed decision.



Insurance for Water Tankers

- 5.160** The Audit has noted that the BWA makes the relevant payments for the insurance of the water tankers, with the beneficiary being Firm 4. This is in keeping with the insurance policy, taken out by the Barbados Water Authority, which identifies Firm 4 as the Lessor. On the other hand, the Lease agreement identifies Firm 2 as the Lessor. The Barbados Water Authority has not provided any evidence that it had assigned all rights and obligations of this contract to Firm 4. The contract requires that the BWA maintain an all-risk insurance policy against loss of, and damage to, the equipment, for not less than the full replacement value of the equipment, naming Firm 2 as loss payee.
- 5.161** However, Clause 29 clearly states that any changes, alterations or amendments to the agreement can only be effected with a written agreement signed by all the parties. This has not been done, which means that putting Firm 4 on the insurance policy was not in accordance with the terms of the contract.

Lease Payments Continued for Written-off Water Tanker

- 5.162** One of the water tankers was disabled on the 30th April 2017, after an accident at Farley Hill, St. Peter. This tanker has been written off by the insurance company, and Firm 4 has been compensated. To date, the Barbados Water Authority has not been provided with a replacement tanker. However, there has been no reduction to the lease payments, even though only seven (7) tankers were in operation. It is not clear why the Authority is making payments of BDS \$8,844 per month for the eighth



tanker, which has been written off, for which Firm 4 has been compensated, and for which no replacement has been provided.

Conclusion

- 5.163** This agreement was signed without the prior approval of the Board and the Ministry, and without analysis of the terms by legal counsel or the Evaluation Committee. There needs to be a written agreement setting out the duties and obligations of the three parties to the lease agreement, in light of the various changes made.

Recommendations

- 5.164** It is recommended that:
- i. The Barbados Water Authority should immediately put in place a Deed of Assignment between the three parties.
 - ii. The BWA should ensure that contracts are reviewed by an attorney-at-law before being signed, to ensure that the necessary safeguards are in place and the interest of the Authority is protected.
 - iii. The terms and conditions offered by bidders should always be assessed by technical personnel before decisions are made, to ensure that the best possible deal is obtained.

Financial Statements of

OFFICE OF THE AUDITOR GENERAL

March 31, 2017

OFFICE OF THE AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT

To the Public Accounts Committee

Opinion

We have audited the financial statements of the Office of the Auditor General (the "Office"), which comprise the statement of financial position as at March 31, 2017, the statement of financial performance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General, as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Office in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

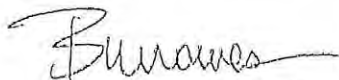
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads 'Burrowes'.

Chartered Accountants
Bridgetown, Barbados
January 4, 2018

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Position

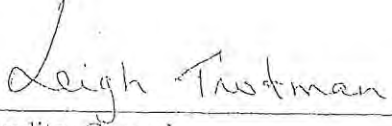
As of March 31, 2017

(expressed in Barbados dollars)

	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents	50	50
	50	50
Non-current assets		
Plant, furniture and equipment (note 4)	74,143	33,644
	74,143	33,644
Total assets	74,193	33,694
Liabilities and general fund		
Current liabilities		
Cash due to Treasury	50	50
	50	50
Non-current liabilities		
Capital contribution (note 6)	74,143	33,644
	74,143	33,644
Total liabilities	74,193	33,694
Net assets	-	-
General fund	-	-

The accompanying notes are an integral part of these financial statements.

Approved by:


Auditor General

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Performance

For the year ended March 31, 2017

(expressed in Barbados dollars)

	Approved budget 2017	2017 \$	2016 \$
Income			
Government contribution (Head 18)	3,617,454	2,993,111	2,944,370
Total income	3,617,454	2,993,111	2,944,370
Operating expenses			
Statutory personal emoluments	2,117,070	1,784,947	2,031,842
Other personal emoluments	519,821	551,097	430,047
Employers contributions	235,721	173,154	182,880
Travel	34,500	9,175	12,306
Utilities	45,500	40,949	43,750
Library books & publications	2,450	1,456	1,856
Supplies and materials	45,000	19,732	26,013
Maintenance of property	56,600	26,106	25,995
Operating expenses	152,242	21,658	88,391
Contingencies	5,000	1,589	3,357
Subscriptions	3,550	3,049	2,455
Professional services – general	50,000	10,199	49,999
Professional services – statutory	350,000	350,000	45,479
Total operating expenses	3,617,454	2,993,111	2,944,370
Operating surplus (deficit) before the following items:	–	–	–
Depreciation (note 4)	–	(19,935)	(16,493)
Capital contribution – amortisation (note 6)	–	19,935	16,493
Surplus (deficit) for the year	–	–	–

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE AUDITOR GENERAL

Statement of Cash Flows

For the year ended March 31, 2017

(expressed in Barbados dollars)

	2017 \$	2016 \$
Cash flows from operating activities		
Surplus (deficit) for the year	—	—
Adjustments for:		
Depreciation	(19,935)	(16,493)
Amortisation of capital contribution	19,935	16,493
	<u> </u>	<u> </u>
Operating surplus (deficit) before changes in working capital	—	—
	<u> </u>	<u> </u>
Net cash flows from operating activities	—	—
	<u> </u>	<u> </u>
Cash flows from investing activities		
Purchase of plant, furniture and equipment	(60,434)	(15,252)
	<u> </u>	<u> </u>
Net cash used in investing activities	(60,434)	(15,252)
	<u> </u>	<u> </u>
Cash flows from financing activities		
Capital contribution	60,434	15,252
	<u> </u>	<u> </u>
Net cash from financing activities	60,434	15,252
	<u> </u>	<u> </u>
Increase in cash during the year	—	—
Cash at the beginning of year	50	50
	<u> </u>	<u> </u>
Cash at end of year	50	50
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2017

(expressed in Barbados dollars)

1. General information

The Office of the Auditor General (the “Audit Office”) was established by Section 113 of the Constitution of Barbados to audit the accounts of the Supreme Court, the Senate, the House of Assembly and all departments and offices of the Government (including the offices of the Cabinet, the Privy Council, the Judicial and Legal Service Commission, the Public Service Commission and government-controlled entities and statutory authorities) and at least once in every year report to the Speaker of the House to be laid before the House of Assembly. The Constitution also allows the Auditor General on his own initiative to carry out examinations into the financial management of Ministries, departments, statutory authorities and government-controlled entities, including the manner in which those Ministries, departments, statutory authorities and government-controlled entities use their resources in discharging their functions as regards the efficiency and effectiveness of the use of those resources.

The Audit Office is located in the Weymouth Corporate Centre, Roebuck Street, St. Michael.

2. Basis of presentation

a) Basis of measurement

The financial statements are prepared in accordance with the requirements of the Financial Management and Audit Act, 2007-11, the International Public Sector Accounting Standards (IPSAS) promulgated by the International Public Sector Accounting Standards Board and on the historic cost basis.

The financial statements were approved by the Auditor General on January 4, 2018.

b) Presentation Currency

The financial statements are presented in Barbados Dollars, rounded to the nearest dollar.

c) Period of reporting

The reporting and budgeting period represented is the financial year April 1, 2016 to March 31, 2017.

d) Measurement Uncertainty

The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that would affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenue and expenses during the period. Actual results may differ from estimates reported.

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2017

(expressed in Barbados dollars)

3. Significant accounting policies

a) Revenue recognition

i) Government Contribution

Funds released from the Crown to finance recurrent expenditure are recognised as income in the Statement of Financial Performance when the expenditures to which they relate are incurred.

ii) Crown Revenue

Crown revenue due in respect of auditing activities is paid directly to the Crown.

b) Expenses

Expenses are charged in full to Head 18 100 0100: Auditing Services, when incurred. Amounts not paid are treated as Crown payables and paid from the Crown's Paymaster (Bank) Account.

Expenses are recognised when incurred and in the year to which they relate.

c) Capital Contributions

Provisions are made for the purchase of capital assets under Head 19 109 0100 Auditing Services. Capital contribution is recognised to the extent of the cost incurred in the purchase of the assets.

Capital contributions are amortised over the life of the assets purchased with the funds granted.

d) Plant, furniture and equipment

Plant, furniture and equipment are recorded at cost less depreciation and impairment losses. Depreciation is calculated on straight-line basis applying the half year rule. Cost is depreciated at the rates shown in the following Extract of Sixth Schedule of the Financial Management and Audit (Financial) Rules.

Extract of Sixth Schedule
Financial Rules 18 (4) and 47 (1)
Depreciation of Property, plant and equipment

	Useful Life (Years)
Machinery and equipment	5-15
Furniture and fittings	5-10
Motor vehicles	3-10
Computer hardware	3-5
Computer software	1-5

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2017

(expressed in Barbados dollars)

4. Plant, furniture and equipment

	Property & Plant \$	Machinery & Equipment \$	Furniture & Fittings \$	Computer Software \$	Vehicles \$	Total \$
Cost						
At April 1, 2015	4,314	220,283	15,217	6,211	42,000	288,025
Additions	—	3,525	11,727	—	—	15,252
At April 1, 2016	4,314	223,808	26,944	6,211	42,000	303,277
Additions	—	—	—	—	60,434	60,434
Disposals	—	—	—	—	(42,000)	(42,000)
As at March 31, 2017	4,314	223,808	26,944	6,211	60,434	321,711
Accumulated depreciation						
At April 1, 2015	4,314	196,515	9,535	776	42,000	253,140
Charge for the year	—	11,546	3,394	1,553	—	16,493
At April 1, 2016	4,314	208,061	12,929	2,329	42,000	269,633
Charge for the year	—	10,320	3,745	1,553	4,317	19,935
Disposals	—	—	—	—	(42,000)	(42,000)
As at March 31, 2017	4,314	218,381	16,674	3,882	4,317	247,568
Net book value						
As at March 31, 2016	—	15,747	14,015	3,882	—	33,644
As at March 31, 2017	—	5,427	10,270	2,329	56,117	74,143

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2017

(expressed in Barbados dollars)

5. Crown Payables

Crown payables as at March 31, 2017 were \$210,316 (2016 – \$45,826).

6. Capital Contribution

Capital contribution at March 31 is as follows:

	2017 \$	2016 \$
Total capital contributions	303,277	288,025
Amount amortised	(269,633)	(253,140)
Amount unamortised at beginning of year	33,644	34,885
Contribution for the year	60,434	15,252
Amortisation for the year	(19,935)	(16,493)
Amount unamortised at end of year	74,143	33,644
Total capital contributions	363,711	303,277
Amount amortised	(289,568)	(269,633)
Amount unamortised at end of year	74,143	33,644

Budgeted and actual capital contribution for the year 2016-2017:

	Approved Budget 2017 \$	Actual 2017 \$
751 Property and plant	—	—
752 Machinery & equipment	21,000	—
753 Furniture & fittings	—	—
755 Computer software	—	—
756 Vehicles	65,000	60,434
Total capital contribution	86,000	60,434

Appendix II

Results of Survey on Indebtedness of State Agencies

Agencies	Loans	Overdrafts	Payables	Pension Liabilities	Pending Legal Obligations	Totals
	\$	\$	\$	\$	\$	\$
BAMED	1,525,000	-	101,144	6,692	-	1,632,836
BAC	-	-	26,116	-	-	26,116
BACTL	1,019,428	-	951,015	-	-	1,970,443
BADMC	-	524,145	7,185,562	10,552,329	-	18,262,036
BAMC	36,553,979		35,971,181	-	5,781,792	78,306,952
BCC	-	-	495,772	-	-	495,772
BCIC	-	-	468,123	-	-	468,123
BCSL	41,735,483	-	646,647	39,379	-	42,421,510
BDF	-	-	568,706	-		568,706
BIDC	38,849,965	-	18,336,310	-	-	57,186,275
BNOCL	21,304,803	26,118,759	75,729,395	1,202,125	30,800,000	155,155,082
BNTCL	68,892,215	-	2,162,933	-	-	71,055,148
BPI	137,610,643	-	5,218,912	9,756,822		152,586,377
BRA	-	-	394,000	-	-	394,000
BTII	-	-	2,227,524	-	-	2,227,524
CBC	25,484,240	2,376,748	13,704,876	15,462,171	-	57,028,034
CLSC	-	-	-	-	-	-
COBL	34,252,112	-	369,107	-	-	34,621,219
EGFL	-	-	433,222	-	-	433,222
FTC	-	-	90,966	-	-	90,966
FSC	-	-	190,812	-	-	190,812

Agencies	Loans	Overdrafts	Payables	Pension Liabilities	Pending Legal Obligations	Totals
	\$	\$	\$	\$	\$	\$
GAIA	45,438,973	-	14,907,130	50,416	-	60,396,519
HRL		-	818,371	-	2,182,900	3,001,271
IB	-	-	370,407	-	-	370,407
IBI	-	-	-	-	-	-
NAB	-	-	75,947	151,812	-	227,758
NCC	-	-	15,072,375	61,178	1,055,359	16,188,911
NCF	-	-	3,471,199	-	-	3,471,199
NPCL	-	-	775	-	-	775
NCSA	-	-	3,707	-	-	3,707
NHC	31,062,522	10,073,009	54,853,224	-	-	95,988,755
NPDI	-	-	123,211	-	-	123,211
NSC	-	-	1,518,824	89,439	-	1,608,264
SRLF	-	-	203,102	-	-	203,102
SSA	-	-	34,297,652	222,358	-	34,520,011
TVET	-	-	1,025,152	-	-	1,025,152
TB	69,928,063	10,664,051	30,063,005		295,724	110,950,843
Totals	553,657,426	49,756,712	322,076,405	37,594,720	40,115,775	1,003,201,039

List of abbreviations	
BAMED	Barbados Agency for Micro-Enterprises Development (Fund Access)
BAC	Barbados Accreditation Council
BACTL	Barbados Agricultural Credit Trust Ltd.
BADMC	Barbados Agricultural Development and Marketing Corporation
BAMC	Barbados Agricultural Management Co. Ltd.
BCC	Barbados Community College
BCIC	Barbados Cane Industry Corporation
BCSL	Barbados Conference Services Ltd.
BDF	Barbados Defence Force
BIDC	Barbados Investment and Development Corporation
BNOCL	Barbados National Oil Company Ltd.
BNTCL	Barbados National Terminal Company Ltd
BPI	Barbados Port Inc.
BRA	Barbados Revenue Authority
BTII	Barbados Tourism Investment Inc.
CBC	Caribbean Broadcasting Corporation
CLSC	Community Legal Services Commission
COBL	Caves of Barbados Ltd.
EGFL	Enterprise Growth Fund Limited
FTC	Fair Trading Commission
FSC	Financial Services Commission
GAIA	Grantley Adams International Airport Inc.
HRL	Hotels and Resorts Ltd.
IB	Invest Barbados
IBI	Islandcrafts (Barbados) Inc.
NAB	National Assistance Board
NCC	National Conservation Commission
NCF	National Cultural Foundation
NCSA	National Council on Substance Abuse
NHC	National Housing Corporation
NPCL	National Productivity Council
NPDI	Needham Point Development Inc.
NSC	National Sports Council
SRLF	Student Revolving Loan Fund
SSA	Sanitation Service Authority
TVET	Technical and Vocational Education and Training (TVET) Council
TB	Transport Board

