



**MINISTRY OF FINANCE, ECONOMIC AFFAIRS
AND INVESTMENT
GOVERNMENT OF BARBADOS
Government Headquarters
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Our Ref.: 5043/66 Vol. I

Date: August 17, 2022

His Honour Arthur E. Holder, M.P.
Speaker of the Honorable The House of Assembly
Parliament Buildings
Trafalgar Street
Bridgetown

Dear Mr. Speaker,

In accordance with Section 113 (3) of the Constitution of Barbados and Section 77 (5) of the Public Finance Management Act, 209-1, the Report of the Auditor General for the year 2021 was laid in Parliament on July 1, 2022.

In the interest of transparency, accountability and good governance, the Ministry of Finance, Economic Affairs and Investment has compiled and updated responses to all of the issues raised in the Report.

In so doing, it was determined, based on the Auditor General's queries and the responses of ministries and departments, that many of the issues highlighted in the Report could have been settled in a timelier and less conspicuous manner if the channels for communication and interaction between the Audit Office and officers in the respective ministries and departments had been more vigorously used.

At the same time though, the Government of Barbados, through the Ministry of Finance, Economic Affairs and Investment, willingly acknowledges the critical nature of the role played by the Auditor General in ensuring that Barbadians benefit from the best systems of governance possible and that these systems are constantly subjected to robust scrutiny.

The ministry also acknowledges, having undertaken a most thorough review of the queries raised by the Auditor General in his latest report, that many of our ministries and departments must be assisted in ensuring greater observance of the highest accounting standards. This is not because of any specific or overwhelming suspicions of dishonesty on the part of public officers, but in the interest of eliminating reporting errors and omissions, too many of which were highlighted in the report and confirmed in our review.

It is also critically important at this time to indicate that although it is appreciated that ministries and departments must provide more timely and adequate responses, we are satisfied that reports that better serve the needs of the country will be achieved if queries from the Audit Office are thoroughly documented.

Please be advised, and the Auditor General can confirm, that in the last four years, the Ministry of Finance, Economic Affairs and Investment has met with him to review his Report. Whilst we accept that the Audit Office is independent and reports directly to Parliament, it was requested at the time, that if ministries and departments were not responding to queries, that this be communicated to the Director of Finance and Economic Affairs such that his office can intervene and get the necessary responses ahead of the publication of the report. To date, no such requests have been received.

Provision was made, with the passing of the Public Finance Management Act, 2019, for the establishment of an Internal Audit Department that would enhance transparency, accountability and good governance with respect to the utilization of the people of Barbados' resources. Although this has not been done to date, as much of the national focus has been on the COVID-19 pandemic and other external shocks, it is our intention that this be done within the next fiscal year, 2023-2024.

The Internal Audit Department will also serve to ensure that Government's financial systems are sound and that its reporting is up to date and timely with a view to enhancing the public confidence in the management of their financial affairs.

The Ministry continues to work with private sector audit firms to bring the financial statements up to date for a number of state-owned enterprises to achieve consolidated reporting for the public sector.

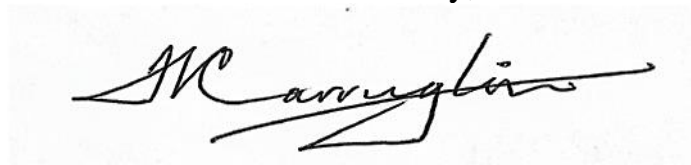
The Ministry of Finance, Economic Affairs and Investment and all ministries/departments of Government look forward to working more closely with the Audit Office in the future as we strive to strengthen public accountability.

We in this ministry operate on the premise that there is no "us and them" when it comes to the work of the Auditor General and his staff. As made clear in a number of places in the attached responses, we willingly accept where errors and omissions in the preparation and transmission of information have occurred, as well as where systemic procedural weaknesses and supervisory lapses remain evident.

We commit to implementing meaningful changes aimed at ensuring that future reports of the Auditor General have no need to focus on such matters.

For your information, please find attached, our responses to the queries raised in the Report and be informed that the report will be laid in Parliament. As well, please be advised that the responses to the Auditor General's Report with respect to the queries raised on the "Special Audit on the Performance Review and Development System" and "Audits of Statutory Boards, Government Companies and Controlled Entities" will be addressed separately by August 31, 2022.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'I. Carrington', is centered on a light gray rectangular background.

Ian St. C Carrington
Director of Finance and Economic Affairs

cc: Auditor General
Clerk of Parliament

Attach.

Schedule of Responses to Auditor General – Financial Year 2020-2021

| | AUDITOR GENERAL COMMENT | IPSAS STANDARD | COMMENTS |
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| | <p>Submission of Statements to Auditors</p> <p>2.12 The Public Finance Management Act, 2019-1 requires the Accountant General to prepare, sign and submit to the Auditor General, within four months after the close of each financial year, a set of financial statements to be audited. As such, the statements for the financial year ended 31st March 2021 should have been submitted by the 31st July 2021. The financial statements were issued on the 31st December 2021, five (5) months after the required submission date.</p> <p>2.13 In recent years, these statements have not been submitted in a timely manner. In accordance with International Public Sector Accounting Standards IPSAS 1, an entity should issue financial statements within six (6) months of the reporting date. This late submission is regrettable since for financial information to be relevant to decision makers and other stakeholders it has to be timely. There is an acute need for up-to-date financial information to be available to Government and other stakeholders including the</p> | | <p>Response as published in Auditor General's Report:</p> <p>There was an upgrade of the Government of Barbados' financial Management information system during the 2020-2021 financial year from SmartStream to CloudSuite. The implementation of CloudSuite occurred on October 1, 2020, the middle of the financial year. This proved to be challenging because of the need to verify that the SmartStream balances would have been accurately loaded into CloudSuite. There was also the issue of having to build reports and accompanying schedules since there were no prebuilt reports available in the new system.</p> <p>Treasury's Updated Response:</p> <p>The MFEI, cognizant of the fact that the financial statements had not been submitted by the statutory deadline since the financial year 2014-2015, set up a team during the last quarter of 2021 under the direction of the Accountant General and Comptroller General to prepare the financial statements in order to meet the requirements of the Public Finance Management Act on an ongoing basis. As a result of this intervention, the 2021-2022 financial statements have been prepared for submission to the Auditor General by August 31, 2022.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>wider public, given the challenging financial situation the country currently faces. Therefore, the Treasury has to make a greater effort to ensure that its reporting deadlines are met if the reports are to be relevant and impactful on decision making.</p> | | <p>It is therefore expected that going forward the financial statements will be submitted by the statutory deadline.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| 1. | <p>Pg.13 - Absence of Consolidated Financial Statements</p> <p>2.14 The Government of Barbados embarked on the accrual accounting process since April 2007. Within this process, Government sought to consolidate its financial statements for all entities controlled by Government. However, as at 2021, Government has failed to comply with IPSAS 35 and, as a result, the Financial Statements do not reflect the required consolidation of the accounts.</p> | IPSAS 35 | <p>Response as published in Auditor General’s Report:</p> <p>It was stated in the Statement of Accounting Policies that the financial statements are not in compliance with International Public Sector Accounting Standards (IPSAS) since the financial statements do not include the consolidation of the Government state owned entities. The unavailability of up to date audited financial statements of state owned entities is one of the factors affecting consolidation of the accounts.</p> <p>Updated response:</p> <p>Unfortunately, the Government of Barbados has never been in a position to produce consolidated Financial Statements due to the absence of complete audited financial statements from State Owned Entities (SOEs). In this regard, the Government of Barbados engaged a recent CARTAC mission to provide technical support on the consolidation of state-owned entities by the end of the 2022 calendar year. The Comptroller General will ensure that this process is completed. The Comptroller General will also be required to assess and monitor the implementation of the accrual accounting process across all Ministries, Departments and Agencies to ensure we can successfully consolidate the financial statements of Government.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>2.15 A revaluation of assets was reported within the financial statements; however, the date of the last valuation of assets and whether this exercise was conducted by an independent valuer should have been disclosed. Also, the notes should disclose the carrying amount and movement of assets along with the amount of any revaluation surplus or reduction. So that the revised amounts can be verified.</p> | | <p>Treasury's Updated Response:</p> <p>The last revaluation was done during the 2020-2021 financial year by the Barbados Revenue Authority. The notes should have disclosed the carrying amount and movement of assets along with the amount of any revaluation surplus or reduction. The Accountant General will provide the updated notes to the Auditor General by August 31, 2022.</p> <p>The required disclosures will be included from the 2021-2022 financial statements, which are currently being finalized.</p> |
| 2. | <p>Pg. 14 - Investment Property</p> <p>2.16 Investment properties are held for their investment potential such as rental or capital appreciation. The Government owns properties held for rental purposes which have not been distinguished for easy recognition in the general ledger. Furthermore, it was not indicated whether these investment properties will be valued at cost or fair value. The non-disclosure of government's investment property may lead to less informed</p> | IPSAS 16 | <p>Response as published in the Auditor General's Report:</p> <p>Information on Government owned properties held for rental purposes was not available at the time the financial statements were prepared. This matter will be investigated.</p> <p>Treasury's Updated Response:</p> <p>All investment properties are valued at cost. There has never been a separation of rental and investment properties on Government's books, but the Accountant General commits to providing the required information in the 2022-2023 financial statements and going forward.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | decisions being made by users of the financial statements. | | However, given that the 2021-2022 statements will be submitted by the end of August, these will not reflect this correction. |
| 3. | <p>Pg. 15 - Cash on Hand</p> <p>2.17 There were a number of issues that impacted the Auditor's ability to verify the Cash on Hand amount, and these were as follows: -</p> <p>(a) The Cash on Hand Ledger account includes fourteen (14) Government Ministries and Departments which carried credit balances that totaled \$1,163,246.33 as at 31st March 2021. Eight (8) of these entities also carried credit balances at the end of the previous financial year. Cash accounts should reflect positive or debit balances; hence the current status of these accounts indicated deficiencies that should be addressed with urgency.</p> | | <p>Response as published in the Auditor General's Report:</p> <p>It is agreed that all cash accounts should carry debit balances.</p> <p>Ministries and departments are responsible for recording their cash on hand transactions in the ledger. Those cash on hand accounts which carry credit balances will be investigated and the relevant adjustments will be made during the 2021-2022 financial year.</p> <p>Treasury's Updated Response:</p> <p>Regrettably, this should not have occurred, and reflects inefficiencies in the system. Going forward, the Comptroller General and Accountant General will prepare a checklist of duties (including monthly cash counts) that MUST be followed, and the Treasury will monitor and report any failure to comply to the Ministry of Finance so that the</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>(b) An amount of \$1,021,585 was reported as the Cash on Hand total at the Treasury at 31st March, 2021. However, this total was at variance with that of the Cash Board of Surveyors who carried out an actual count on 31st March, 2021. The amount in the General Ledger was \$1,021,585.55 while the cash count was \$266,389.75, a difference of \$755,195.80. There needs to be a reconciliation of these totals to ensure this balance is accurately reflected.</p> | | <p>Director of Finance and Economic Affairs may take the necessary action to ensure compliance.</p> <p>The cash of \$1,163,246.33 was received and deposited in the bank but not recorded in the Cash on Hand ledger. Compounding this was the fact that the reconciliation between the Smart Stream Cash Receipting module and the Cloudsuite general ledger was not performed.</p> <p>Response as published in Auditor General's Report: The difference between the general ledger total for Cash on Hand at the Treasury and the amount reported as a result of the actual count conducted by the Cash Board of Surveyors as at March 31, 2021, will be investigated.</p> <p>Treasury's Updated Response: With respect to the \$755,195.80, the reconciliation was completed, and the errors have been identified. The ledger has been corrected and this will be reflected in the 2021-2022 financial statements.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>Pg. 16 Bank Reconciliations</p> <p>2.18 Bank reconciliation statements for banks and special deposit accounts held by the Treasury were not provided to the Auditors. The balances recorded in the General Ledger for these accounts totaled \$685,941,870.16 for the period ending 31st March 2021. The absence of bank reconciliation statements contravenes Financial Rule 90.</p> <p>2.19 It is also of significant concern that such statements have not been prepared for a number of years. The reconciliation process is critical in identifying arrears or unusual transactions in the accounts so that corrective remedial measures can be taken in a timely manner.</p> | | <p>Response as published in the Auditor General’s Report:</p> <p>It is agreed that the bank reconciliation process is critical in identifying errors or unusual transactions in accounts so that corrective remedial measures can be taken in a timely manner.</p> <p>Bank reconciliations have proven to be a challenge over the years. There are differences between amounts recorded in the ledger and amounts presented on the bank statements. In most cases where there are unreconciled differences between the ledger and bank statements, the narratives on the bank statements do not facilitate identifying the matching transactions recorded in the ledger. Examples of these types of narratives on bank statements include “Deposit” or “Returned Item”.</p> <p>Treasury’s Updated Response:</p> <p>The Treasury will augment its ongoing work in this area by employing a dedicated project team to bring the bank reconciliations up to date by March 2023. The Comptroller General will be required to provide a monthly report to the Ministry of Finance reflecting progress.</p> |
| 5. | <p>Pg. 17 Receivables</p> <p>2.20 The Treasury reported that its receivables increased by \$1.238 billion during the year. This would tend to indicate that taxpayers were filing returns but not making payments to meet various tax obligations. The major increases in the receivables reported were in respect of</p> | | <p>Response as published in Auditor General’s Report:</p> <p>The differences in tax receivables balances reported by the Barbados Revenue Authority (BRA) and the Treasury as at March 31, 2021, will be investigated and the relevant adjustments will be made during the 2021-2022 financial year.</p> <p>The tax revenue figures in the Statement of Financial Performance were based on information submitted by BRA.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| <p>Corporation Tax, Income Tax, VAT and Land Tax.</p> <p>2.21 It should however be noted that these figures differed significantly from those of the Barbados Revenue Authority which has responsibility for the collection of most of these taxes and would be responsible for keeping the detailed records of the receivables. The difference between the records of the Treasury and the Authority, for which no reconciliation was provided are a cause of concern.</p> <p>2.22 The large variances in these balances is one of the reasons why my Office has not been able to verify the receivables. I am satisfied that the information shown in the accounts as receivable is unreliable and inaccurate. For example, our review of the land tax receivables confirmed an amount of \$415.8 million as opposed to the figure of \$667 million which is being reported by the Treasury. The large variances in these balances and the absence of supporting information for their confirmation has resulted in the Audit Office not being able to verify these</p> | | <p>Treasury's Updated Response:</p> <p>The adjustments to tax receivables relating to the 2020-2021 financial year were done in the 2021-2022 financial year. Recognising that several errors occurred in the data entry and accounting process, the financial controllers of the Treasury and the Barbados Revenue Authority will meet monthly to ensure that reconciliations are done between the two entities.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | amounts. Furthermore, users of the financial statements will not be able to place reliance on this information to make informed decisions. | | |
| | Dishonoured Cheques 2.23 A balance of \$32,786,650.07 was reported in respect of dishonored cheques received. However, the relevant listing of the individuals or entities to whom these amounts referred was not provided for audit inspection; hence, the Auditors could not verify this total. | | Treasury's Updated Response: This was an oversight, and the listing was subsequently submitted to the Auditor General. . |
| 6. | Pg. 19 Provision for Doubtful Debts 2.24 Provision for doubtful debts is the estimated amount of bad debts being provided for, based on the total receivables. The Director of Finance has determined that the rate for doubtful debt should be 2%. Notwithstanding this directive, there are a number of receivables that need to be removed completely from the accounts. In addition, the basis for the 2% provision should be provided to the Auditors. It should also be noted that Provisions for doubtful debt were not made for | | Response as published in Auditor General's Report: The matter of provision for doubtful accounts will be investigated and the relevant adjustments will be made. Treasury's Updated Response: An assessment of the receivables balances will be done in conjunction with the Barbados Revenue Authority to determine uncollectible amounts that could be removed and the appropriate provision for doubtful accounts will be reflected in the 2022-2023 financial statements. As part of the reconciliation exercise, the rate for doubtful debt will be reviewed to reflect the current profile of the economy. |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | some receivables with balances totaling \$1,135,648,511.60 as at 31st March, 2021. | | |
| 7. | <p>Pg. 20 Sinking Fund</p> <p>2.25 The Sinking Fund total in the General Ledger and the financial statements was \$14,910,926. When the Auditor applied the rates of 2% on local debt and 2.5% on foreign debt as per the Notes to the financial statements, an amount of \$266,401,300 was computed as Sinking Fund balance. Based on these computations, the Sinking Fund balance was \$251,490,374 less than what was required.</p> | | <p>Response as published in Auditor General’s Report: The queries relating to Sinking Funds will be investigated.</p> <p>Treasury’s Updated Response: Following the debt restructuring exercise in 2018, the Local Loans Act was amended to remove the 2% sinking fund requirement in respect of the restructured Series Bonds. The sinking funds were then transferred to the Consolidated Fund to assist with operational requirements, including payment of interest and principal on loans, tax refunds and accounts payable arrears.</p> <p>The remaining balance of \$14,910,926 is for the repayment of foreign debts as they mature.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>2.26 Monies from the Sinking Fund were transferred to the Consolidated Fund to assist with the Operations of Government. Note 15 to the financial statements states that “these financial assets are restricted in their nature and are only intended to assist with the repayment of public debt”. The action taken in this regard was an inappropriate use of the Sinking Fund.</p> | | <p>Treasury’s Updated Response:</p> <p>The sinking fund, as previously structured, was an operational tool within the Consolidated Fund to settle debt, in particular repayment of bullet loans.</p> <p>Following the debt restructuring exercise in 2018, the Local Loans Act was amended to remove the 2% sinking fund requirement in respect of the restructured Series Bonds. The sinking funds were then transferred to the Consolidated Fund to assist with Government operational requirements under the BERT programme, which included payment of interest and principal on loans, tax refunds and accounts payable arrears.</p> |
| 8. | <p>Pg. 21 Fixed Assets 2.27 i. <u>Fixed Asset Register</u></p> <p>The Fixed Asset Register of the Government reflected a balance of \$863,386,944, while the General Ledger accounts reflected a balance of \$2,038,017,147. This resulted in variances of \$1,174,630,203. The lack of reconciliation of these balances leads to an increased risk that the General Ledger account balance does not reflect</p> | | <p>Response as published in Auditor General’s Report:</p> <p>Each Ministry/Department is required to maintain its asset register and reconcile the balance to the General Ledger balance. The Treasury Department is currently working on this reconciliation. The variance between the General Ledger and the asset register are due to a number of factors which are listed below:</p> <ul style="list-style-type: none"> • Items which were under the \$3,000 asset threshold being included as assets in the asset register; |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>the correct value of fixed assets owned by Government.</p> | | <ul style="list-style-type: none"> • Items such as freight and Insurance costs were not included on the invoices relating to the purchase of assets and should have been included in the General Ledger balances; • Ministries/Departments including expense items in the capital asset accounts; • Incorrectly processing asset purchases in the financial management system by not using the asset clearing account or attaching the asset templates. <p>Treasury's Updated Response</p> <p>The Financial Controllers of Ministries/Departments will be provided with further training during the 2022-2023 financial year in order to address the issues identified and to complete the update of the fixed asset register by December 31, 2022. in relation to this matter. There will be regular monitoring of the impact of the training to ensure that the desired outcome is achieved. The Comptroller General will be required to report on compliance to the Ministry of Finance.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| 9. | <p><u>Pg. 22 ii. Assets under Construction</u></p> <p>Under Fixed Assets is a sub-item, Assets Under Construction, which had a balance of \$573,252,692.99 as at 31st March 2021. This balance was not supported by a continuity schedule to allow for audit examination. As a general accounting practice, an Assets Under Construction Continuity Schedule which is classified per Ministry and Department should be maintained. This should include the commencement dates, a detailed description of the Assets, the opening balances, additions and transfers during the financial year, and the Net Book Values which cumulatively, should reconcile to the General Ledger & Consolidated financial statement for the financial year under review. The lack of a continuity schedule reduces the entity's ability to determine the accuracy of the value, and classification of the assets recorded.</p> <p>There is a balance of \$58,134,053.93 recorded as Assets Under Construction in the general ledger for the Ministry of Education, Technical and Vocational Training for the financial year ended 31st March 2021. Based on the information from</p> | | <p>Response as published in Auditor General's Report:</p> <p>As part of the requirements to maintain its asset register and reconcile the balance to the General Ledger balance, each Ministry and Department should be maintaining their Assets Under Construction Continuity Schedule. The information in these schedules should be communicated to the Treasury Department in order to record the transfers from assets under construction to the specific asset account when construction of the asset has been completed. The reason why assets under construction balances have remained unchanged for a number of years is that the relevant information has not been communicated to the Treasury Department in order to update the relevant asset accounts.</p> <p>Treasury's Updated Response:</p> <p>The Financial Controllers of the Ministries/Departments will be provided with further training during the 2022-2023 financial year in order to address the issues identified and to complete the update of the fixed asset register by December 31, 2022, in relation to this matter. There will be regular monitoring of the impact of the training to ensure that the desired outcome is achieved. The Comptroller General will be required to report on compliance to the Ministry of Finance.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | the audit of this Ministry, these balances have remained unchanged for a number of years. Some of them relate to work conducted on existing school plants, and the value of funds expended should therefore be transferred to the specific asset account. | | |
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| 10. | <p>P. 23 Accounting for Liabilities</p> <p>2.28 The following concerns were observed by the Auditors in respect of the review of the information pertaining to liabilities of the Government of Barbados.</p> <p>Department and Other Deposits</p> <p>2.29 There were debit balances totaling \$666,484.49 recorded in a liability account as at 31st March, 2021. This account is a liability account which should carry a credit balance. Therefore, debit balances are attention directors that errors are contained in the accounts and need to be investigated and corrected.</p> | | <p>Response as published in Auditor General’s Report:</p> <p>Ministries and Departments are responsible for recording transactions relating to their deposit accounts and reconciling these account balances to the General Ledger. It is agreed that these liability accounts should be carrying credit balances. Debit balances in liability accounts would therefore indicate that there are errors in the relevant accounts, and these would be investigated.</p> <p>Treasury’s Updated Response:</p> <p>This should not have occurred as it reflects inefficiencies in the system. Going forward, the Comptroller General and Accountant General will prepare a checklist of duties (including monthly reconciliation of the accounts), which MUST be followed and the Treasury will monitor and</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | | | report any failure to comply to the Director of Finance and Economic Affairs, who will take the necessary action to ensure compliance. |
| 11. | <p>Pg.24 Temporary Borrowings - Unrecorded Interest Charges</p> <p>2.30 Interest Charges for the Treasury Overdraft Facility Account at the Central Bank of Barbados for August and November 2020, totaling \$840,926.31, were seen on the Central Bank Statements but they were not expensed in the General Ledger. This has resulted in a misstated balance of interest expense.</p> | | <p>Response as published in Auditor General's Report:</p> <p>This matter will be investigated.</p> <p>Treasury's Updated Response:</p> <p>Having investigated the audit query, we conclude that this was an oversight and we concur with the Auditor General's assessment. The adjustment has been made and will be reflected in the 2021-2022 financials.</p> |
| 12. | <p>Pg. 24 Liabilities – Loans</p> <p>2.31 The following issues were observed in the audit of the loan accounts.</p> <p>i. There were debit balances totaling \$40,128,816 as at 31st March, 2021 in the Loan Account.</p> | | <p>Treasury's Updated Response:</p> <p>The payment transactions giving rise to this balance were erroneously classified. The relevant adjustment was made and will be reflected in the 2021-2022 financial statements.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>Liability accounts should carry credit balances; hence the debit balances should be investigated as the financial statement loan balance would be misstated by \$40.1 million. This could mislead the users of the financial statements.</p> <p>ii. A loan balance of \$11,974,825 as at 31st March 2021 could not be verified. This balance represents loans from various local financial loan agencies. This total is recorded in the General Ledger as a lump sum; however, an accompanying schedule is required for audit inspection. This was not provided; therefore, the accuracy and completeness of this balance could not be verified.</p> <p>iii. The loan balance of \$1,062,318,288 for foreign debentures was recorded as an aggregate total in the General Ledger for the financial year ended 31st March 2021. A schedule showing the individual loan transactions and balances with the aggregate totals was not submitted for audit inspection. Therefore, the accuracy and</p> | | <p>Treasury's Updated Response: We confirm that the loan balance of \$11,974,825 was indeed included in Schedule 10 to the financial statements that were submitted to the Audit Office.</p> <p>Treasury's Updated Response: The loan balances relating to foreign debentures were included in Schedule 9 to the financial statements, which were submitted to the Audit Office. The balance is also broken down in the General Ledger for the financial year ended 31st March 2021.</p> |
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Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | <p>completeness of this balance could not be determined.</p> <p>iv. In addition, it was difficult to determine whether all the loan balances were up-to-date. After some detailed testing by the Auditor, the evidence pointed to two foreign debentures which were due in 2019 and 2021 respectively, but were not repaid as required. This resulted in a balance due to the debenture holders of \$1 million and \$4 million respectively.</p> | | <p>Treasury's Updated Response: Government announced on June 01, 2018, the suspension of all foreign debt service and commenced debt restructuring negotiations. As a result, the original BAMC facility due in 2019 was restructured and is now the Foreign Debenture (FDB111) BAMC 2029 Bond, which was captured within the External Debt Exchange, so therefore no payment was made in 2019, as the original instrument no longer existed.</p> <p>The debt service due on the external bonds during the period of restructuring was subsequently captured as FDB113 referred to as GOB 2021 PDI Bond within the External Debt Exchange and was fully repaid as at 01-FEB-21.</p> |
| 13. | <p>Pg. 25 Accounts Payable - Subsidiary Ledger 2.32 An accounts payable subsidiary ledger was not submitted for audit inspection to indicate the individual transactions which contribute to the overall balance of \$26,208,374 as at 31st March 2021. The lack of a subsidiary ledger increases the risk that account balances in the General</p> | | <p>Response as published in Auditor General's Report: The accounts payable subsidiary ledger as at March 31, 2021, should have been made available for inspection during the audit.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | Ledger may contain errors and misstatements, and are incorrectly classified as current liabilities. This balance could therefore not be substantiated. | | Treasury's Updated Response: The subsidiary ledger was available and should have been submitted. Going forward a system will be put in place to improve the flow of information to and from the Audit Office. The accounts payable subsidiary ledger will be provided from the 2021-2022 financial year and onward. |
| 14. | Revenue Figures for Financial Year Ending 31st March 2021 2.34 Revenue for the financial year ending 31st March 2021 was reported in the financial statements as \$2,769,710,200; of this amount, \$2,416,673,598 was attributed as revenue from the Barbados Revenue Authority. However, information submitted to the Treasury by the Authority was only in respect of \$2,250,927,473 a difference of \$165,746,125 million for which no reconciliation was provided. | | Treasury's Updated Response: The Barbados Revenue Authority reports revenue on the cash basis and the Treasury reports revenue on the accrual basis, which takes into account tax receivables and refunds payable. Going forward, the Accountant General will ensure that accurate tax receivable and refunds payable balances are included in a reconciliation showing how the tax revenue reported by the Treasury compares to cash collected by the Barbados Revenue Authority. |
| 15. | Deferred Revenue 2.35 The Treasury reported prepayments of revenue (Deferred Revenue) of \$254 million. There was however no supporting documentation provided in respect of this amount. There were entries of \$283 million which were attributed to the Revenue Authority by taxpayers. However, | | Treasury's Updated Response: The \$254 million flagged by the Auditor General for prepayment of tax clearly does not reflect the size of the Barbados economy. The Accountant General has met with the Financial Controller of Customs and Excise Department and has reconciled the matter, which will be reflected in the 2021-2022 financial statements and submitted to the Auditor General with supporting documentation. |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | information obtained from the records of the Authority showed prepayments of only \$289,000. | | |
| 16. | <p>Pg. 27 Other Matters</p> <p>Overpayment of Pensions</p> <p>2.38 A review of the pension payroll revealed that payments totaling \$3.9 million were being made in the names of deceased persons, in some instances these payments were being made for over ten (10) years. These payments were in respect of thirty-four (34) former pensioners. Information from the Registration Department confirmed that these former pensioners were deceased. The controls for the payment of pensions need to be reviewed and a stop order should be placed on any additional payments. Efforts should be made to recover the outstanding amounts.</p> | | <p>Response as published in Auditor General’s Report:</p> <p>Accountant General’s Response The matter of overpayment of thirty-four (34) former pensioners is being investigated. The accounts of those former pensioners have been inactivated in the system in order to stop any further payments to them. Stop payment orders have also been issued to the commercial banks for payments that were in transit in relation to the former pensioners. Efforts are being made to recover the amounts deposited to the relevant accounts subsequent to the death of those former pensioners. Death Register information is very useful in the process of cleaning up the Treasury Department’s Pension Payroll Register. Over the years, the Treasury Department was unable to access the Death Register information. After discovering that the information from the Death Register was recently made available to the Auditor General’s Office, the Registration Department was requested to provide the Treasury Department with access to information from the Death Register.</p> <p>Treasury’s Updated Response:</p> <p>The Death Register was received from the Registration Department in May 2022 and reviewed. The pensioners register has been updated, a process that will now continue monthly.</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | | | <p>To facilitate this, a memo has been sent to the Registrar of the Supreme Court requesting monthly electronic access to the Death Register.</p> <p>As at August 11, 2022 , the sum of \$651,778.97 has been collected from 20 accounts. The Treasury has contacted the Barbados Police Service to further assist in retrieving outstanding funds from account holders who have so far shown no inclination to voluntarily repay.</p> |
| 17. | <p>Pg. 28 Request for Documentation</p> <p>2.39 The Treasury failed to submit required documentation to facilitate the audit examination of various accounts. This is a recurring issue and a greater effort must be made by the Treasury to provide information requested. The absence of this information delays the audit and prevents the Auditor from verifying amounts listed in the financial statements.</p> | | <p>Treasury's Updated Response</p> <p>. The Comptroller General will take responsibility for ensuring that all relevant records and documentation will be made available to the Auditor General when requested. The Auditor General will be encouraged to report any failure to provide records, the absence of which will retard his ability to properly execute his mandate.</p> |
| 18. | <p>Prior Year Revenue Adjustments</p> <p>2.36 There were entries of \$627.7 billion in the Ledger with a notation that it represented an adjustment to the revenue for prior financial years. There was no supporting evidence to confirm the basis for these material adjustments. It should be noted that the \$627.7 billion appeared in the financial statement as an adjustment to the Consolidated Fund Balance.</p> | | <p>Treasury's Updated Response:</p> <p>The sum of \$627.7 billion, as stated by the Auditor General, is an error on his part as the information submitted indicated \$627.7 million. We acknowledge that no supporting evidence was submitted, and this is an oversight on the part of the Treasury, and again relates to the need to</p> |

Schedule of Responses to Auditor General – Financial Year 2020-2021

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| | | | <p>improve the flow of supporting information as noted above in other submissions.</p> <p>By way of an explanation, the adjustments were related to errors in the ledger balances, which were brought over from the SmartStream system to the recently implemented CloudSuite system. The supporting evidence for these material adjustments will be transmitted to the Auditor General's office by August 31, 2022.</p> |
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OUR REF: 006/6/0

BY EMAIL ONLY

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment
Government Headquarters
Bay Street
St. Michael

Dear Madam,

**Re: The Barbados Revenue Authority's Responses to the Auditor General's Report on the
Audit of Barbados Revenue Authority's Administered Activities for the Financial Year
Ended March 31, 2021**

Reference is made to the captioned matter.

We write to formally provide our responses to the Auditor General's Report on the audit of the Barbados Revenue Authority's (hereinafter "the Authority") Administered Activities Financial Statements 2020-2021 (hereinafter "the Report"), attached for ease of reference. These comments were first provided to the Auditor General on March 17, 2022 upon receipt of his draft report on March 8, 2022. Some comments have been further expanded to benefit the Ministry's understanding.

In this letter, the Authority will refer to the specific paragraph in the Report before providing its comment in each case.

Summary of Findings

Paragraph 2.1 of the Report:

Under the provisions of the Public Finance Management Act, 2019-1 Section 88 (2) (the Barbados Revenue Authority is required to submit to the Auditor General within two (2) months after the close of each financial year, statements of receipts, revenue, receivables and refunds, waivers and remittances. The Authority did not comply with this requirement, as the statements were presented December 31, 2021, six (6) months after the specified period. In addition, the statements of waivers and remittances were not submitted. These factors significantly delayed the completion of the audit of these statements.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Response to Paragraph 2.1 of the Report:

The statement of receipts, revenue, receivables and refunds were submitted in August 2021. We note that the Auditor General met in March 2021 with the Audit and Risk Committee of the Authority and confirmed that financial statements were not required. This was then followed by a request for financial statements by the Auditor General in December 2021. The financial statements as are presented to the Board of Directors were provided. It was also agreed that the format of the financial statements would be certified by the Director of Finance and Economic Affairs, who is also a Board Member and who also approved the financial statement as submitted. Illness of the Manager Finance and the impact of the COVID 19 pandemic impacted the delivery of information prior to August 2021.

Paragraph 2.2 of the Report:

The amount of \$567 million was reported as Other Receivables in the Statement of Financial Position. No documentation was presented to determine how the figure was derived and the basis on which the amount was recorded as a receivable. The receivables for the Administered Activity should relate to the taxes due from taxpayers however, the amount reported did not comply with this requirement.

Response to Paragraph 2.2 of the Report:

A reminder that the Authority is a collection agency. As such, all funds received from taxpayers are deposited on the Authority's bank account and thereafter transferred less bank charges to the Treasury's bank account on a daily basis. Therefore in order to settle any refunds due to taxpayers as a result of filings and assessments made, a request is made of the Treasury to remit funds to the Authority to settle the said refunds. As such, the Authority reconciles the assessments to said transfers and records at the end of a fiscal period an amount due to or due from the Treasury.

Due to Treasury

This reflects a reconciliation of the assessments made upon filing tax returns or in the case of land tax issuing bills to taxpayers, less any collections received at the end of the fiscal period. Added to this amount are any charges of penalties and interest in respect of taxpayers' unsettled obligations. The file labelled Due to Treasury represents this reconciliation.

As it relates to brought forward balances, historically for the last seven years personal income tax and corporation tax receivables balances prior to 2013 were not included in the opening balance. The reason given for this exclusion in the past was that the information contained in the Etax legacy system was not

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

reliable and could not be easily verified. For the duration of fiscal 2022-2023, an arrears receivables team was appointed to conduct an ongoing review of the individual balances residing in the legacy systems with a view to confirming the amounts due from taxpayers. This Exercise is due to be completed in March 2023. Thereafter the legacy systems will be retired.

Due from Treasury

The Due from Treasury balance comprises amounts due from the Treasury to pay tax refunds and reverse tax credits plus refunds due to taxpayers as assessed for the current fiscal period less any refunds paid to taxpayers for the period. Added to this balance are stale dated and returned bank files and interest accrued on refunds due. For the duration of fiscal 2021-2022, a refunds arrears team was appointed to conduct an ongoing review of the individual balances residing in the legacy systems with a view to confirming the amounts due to taxpayers. This Exercise was completed in March 2022 and has resulted in adjustments being made to the general ledger to record the refunds due to taxpayers. Again after the full analysis of the legacy systems is complete per above, the systems will be retired.

The Barbados Audit Office has always been aware of the technological challenges surrounding the verification of tax balances in the current and legacy systems. The Due to Treasury schedule and the Refunds Payable schedules were included in the information provided.

Paragraph 2.3 of the Report:

Based on the criteria of the Authority, revenue for such taxes as Corporation Tax, Income Tax and Value added Tax is recognized when filings are made and assessed. However, for the financial year reviewed the revenue reported for these and other tax categories related to the cash collected for the current tax period instead in conformity with the established policies. In this regard, revenue was understated by over \$230 million for the financial year.

Response to Paragraph 2.3 of the Report:

The revenue recorded by the Authority in the Statement of Administered Revenue represents the collections transferred to the Treasury for the period. The Due to Treasury schedule represents any amounts assessed but not collected. Please reference the Due to Treasury schedule as provided. Therefore any difference between the assessed but not collected revenue is recorded as an amount Due to the Treasury at the end of the fiscal period. The reconciliation of the Due to Treasury therefore includes the revenue (assessed but not received) for the period. The Due to Treasury reconciliation was placed in the shared repository.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 2.4 of the Report:

The amount of \$2,130,554,000 was reported as the overall tax receivable balance as at March 31, 2021. Material errors and discrepancies were found which affected the accuracy of the balances recorded in the schedule presented and in turn the receivable balance reported for the financial year. In addition, some schedules did not include information to support some tax types. Hence the auditors could place little reliance on the receivable balance provided.

Response to paragraph 2.4 of the Report:

Your team has reported that they did not have supporting information re: Tax on Assets (\$3,277,280.12) and Tax on Bank Assets (\$6,435,660.13). This was provided in the TAMIS Debt Compliance Details at 2021-03-31 schedule on the sheets "BalanceByTaxType_24" and "BalanceByTaxType_25" respectively. See schedule attached.

Paragraph 2.5 of the Report:

The March 2021 bank reconciliation statement for the Republic Bank (Barbados) Limited, recorded \$46 million as reconciling difference, some of this amount has been accumulating over the years. These significant unreconciled differences undermine the reliance of the reconciliation process and result in the cash position not being able to be verified.

Response to paragraph 2.5 of the Report:

As you are aware from previous audits, the significant dollar amount of the unreconciled differences relate to prior periods 2018-2020 and arose as a result of the difficulty in reconciling and allocating taxpayer receipts. The Authority is currently undertaking a cleanup exercise to eliminate these balances. The Authority will confirm the source of the reconciling differences and make the necessary adjustments to the general ledger to eliminate them during the period 2022-2023. Subsequent to the audit review, the unreconciled differences have been reduced significantly. Efforts will continue to be made to resolve unreconciled differences in the bank reconciliation statements in a timely manner. In addition a team has been identified and allocated to prepare and finalise the bank reconciliations in a timely manner.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Submission of Financial Statement

Paragraph 3.1 of the Report:

The Public Finance Management Act, 2019-1 Section 88 (2) (c) stipulates the required statements to be submitted by collectors of Revenue such as the Authority to the, Auditor General and Accountant General within two (2) months after the close of each financial year. These include statements of receipts, revenue, receivables, refunds, waivers and remittances. The Authority did not comply with this requirement, as the statements were presented on December 31, 2021, six (6) months after the specified period. In addition, the statements of waivers and remittances were not submitted. The statements presented should comply with the requirements of the Act and be submitted on a timely manner so that they would be relevant to stakeholders and those who require them for decision making.

Response to paragraph 3.1 of the Report:

As stated in the response to 2.1 above, the statement of receipts, revenue, receivables and refunds were submitted in August 2021. We note that the Auditor General met in March 2021 with the Audit and Risk Committee of the Authority and confirmed that financial statements were not required. This was then followed by a request for financial statements in December 2021. Those statements were provided. The omission of waivers will be corrected and waivers will be included in the financial statements.

Statement of Financial Position

Paragraph 3.2 of the Report:

In the Statement of Financial Position, the Authority reported \$567 million as Other Receivables. According to Note 8 of the financial statements, this balance represents amounts due from the Treasury to honour outstanding tax refunds and to cover the financial charges associated with banking transactions. No documentation or information was presented to substantiate how this amount was derived and the basis on which the amount was classified as a receivable. The receivables for the Administered Activities should relate to the taxes due from taxpayers and therefore should not include amounts to honour tax refunds.

Response to paragraph 3.2 of the Report:

The Barbados Audit Office is well aware of the technological challenges surrounding the verification of tax refunds and tax balances in the legacy systems. In addition TAMIS balances are also in question as a result of the various systems errors and adjustments made during the various filing periods. The team is performing an ongoing review of the individual balances with a view to confirming the amounts due to taxpayers. The amounts referred to are related to refunds payable which is also recorded on the Statement

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

of Financial Position. A team was established to verify the outstanding refunds and these exercise was completed in March 2022. The necessary adjustment will be made to the financial statement for the fiscal period ended March 2023.

Revenue

Paragraph 4.1 i) of the Report:

There were a number of issues observed by the auditors in reviewing schedules and information presented in respect of Revenue which pertained to their attempts at verification of revenue and these were as follows: -

Revenue Classification

i) Based on the accounting policies of the Authority, taxes such as Corporation Tax, Income Tax and Value added Tax are recognized when the taxpayer files a return and an assessment is made and not just when cash is received. However, for the financial year reviewed the revenue reported for these and other tax categories related to the cash collected for the current tax period instead of the taxes assessed (assessments and billings due for 2020-21). In this regard, Revenue for the financial year 2020-2021 was not reported in accordance with the set accounting policies. Information reviewed indicate that revenue would have been understated by in excess of \$230,000,000 if recorded in accordance with the stated policies of the Authority. (See Appendix 1)

Response to Paragraph 4.1 i) of the Report:

The revenue recorded by the Authority in the Statement of Administered Revenue represents the collections transferred to the Treasury for the period. The Due to Treasury represents any amounts assessed but not collected. Therefore the amount that is being reported as understated, actually represents the difference between the assessed revenue and the assessed but not collected revenue. All revenue for 2020-2021 was reported.

Paragraph 4.2 ii) of the Report

Unapplied Wire Transfers Not Included in Ledger

ii) Wire transfer is one of the means by which taxpayers are afforded the opportunity to pay their taxes. The Authority recorded \$12,033,487 as non-applied wire transfers for the financial year 2020-2021. These transfers related to taxes paid by the taxpayer for which insufficient or incorrect information was provided resulting in inflated tax payer account balances. While it was evident that the funds were deposited to the bank account, the corresponding transactions to complete the double entry system were not identified. Hence not all taxes (revenue, collected by the Authority) could be verified as captured in the revenue reported for the financial year. (see Appendix 2)

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Response to Paragraph 4.2 ii) of the Report:

Wire transfers as a medium to pay amounts due and owing to the Authority were used primarily as a payment method in respect of Land Tax. Prior to and even more so during the period of restricted movement arising from the COVID-19 pandemic, the use of wire transfers to settle obligations increased significantly. Unfortunately, this medium had its limitations, in terms of the requisite descriptive detail being available to appropriately apply the funds to the relevant taxpayer accounts in a timely manner. Unapplied funds are held in a suspense account until the details are available to allow for the updating of the taxpayer's account.

The Authority embarked on an aggressive outreach campaign and taxpayers who used the wire transfer/bank to bank transfer payment option were asked to submit information to the Authority via email at epayments@bra.gov.bb or through the Authority's Contact Centre (246)429-3829, so that the funds could first be identified and then appropriately applied.

In addition, the Authority has aimed to remove the use of this payment option temporarily from its publications, with a view to limiting these transfers.

In summary, the information received for some wire transfers was insufficient to facilitate applying the funds to the taxpayers' accounts. The Authority has reached out to the Barbados Bankers' Association about this matter and efforts are ongoing to identify the taxpayers accounts to which these funds should be applied. The Authority has also reached out to the public asking persons to submit details on payments made to a designated email address. All unapplied balances are recorded in a suspense account to ensure that the collections reported are accurate. The Authority will do the journals necessary to bring to account the unapplied credit advices in Smartstream and adjust the account when the amounts are applied to the taxpayers' accounts.

Notably, the Authority is currently implementing a direct payment method for both Land Tax and TAMIS transactions, to allow for direct account application upon payment, to avoid a repeat of this unfortunate situation and to remove the delays currently experienced in updating taxpayer accounts using the current payment options. Thus, the matter has been urgently and aggressively addressed.

To date, the Authority has received information for a significant number of taxpayers and the payments have been credited to their accounts.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Tax Receivables

Paragraph 5.1 i) of the Report

The amount of \$2,130,554,000 was reported as the overall tax receivable balance as at March 31, 2021. A comparative analysis were carried out whereby: (1) a sample of accounts were tested to determine whether the information contained in the receivable schedule mirrored that in the systems; and (2) the balances reported agreed to the supporting schedule. Errors and discrepancies were found which affected the accuracy of the balances recorded in the schedule and in turn the receivable balance reported for the financial year. These are noted below: -

Tax on Assets and Tax on Bank Assets

i) A receivable schedule was presented by the Authority to support the tax receivable balances per tax type. However, it did not include information to support the balances of \$3,277,280.12 and \$6,435,660.13 reported for Tax on Assets and Tax on Bank Assets. These balances therefore could not be verified.

Response to Paragraph 5.1 i) of the Report:

As stated in the response to 2.4 above, the supporting information for these balances, re: Tax on Assets (\$3,277,280.12) and Tax on Bank Assets (\$6,435,660.13) was provided in the TAMIS Debt Compliance Details at 2021-03-31 schedule on the sheets "BalanceByTaxType_24" and "BalanceByTaxType_25" respectively. The Schedule is again presented for verification. See schedules attached. Can we recommend that the audit team engage with the Authority's finance team so that variances can be identified and differences clarified in a timely manner.

Paragraph 5.1 ii)

VAT Receivable Misstated

ii) The VAT Receivable balance at year-end included balances from TAMIS and VETAS. These balances differed from the Receivable Schedule by \$284,617,908. The balance recorded in the statement was \$1,082,544,000 while the schedule recorded \$797,926,092. As a result, the VAT receivable could not be verified.

Response to Paragraph 5.1 ii) of the Report:

The schedule submitted reconciled with the VAT Receivable year-end balances from VETAS and TAMIS as at March 31, 2021. Please have your team reach out for clarifications.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 5.1 iii)

Corporation Tax Understated

iii) The Corporation Tax receivable balance of \$249,675,000 differed to the Receivable Schedule which recorded \$296,666,044. This resulted in a difference of \$46,991,044. The Corporation tax receivable therefore could not be verified.

Response to Paragraph 5.1 iii) of the Report:

As indicated in prior years to the Barbados Audit Office, the balances in respect of penalties and interest recorded in ETAX and TAMIS are subject to technological issues and this may render them inaccurate unless reviewed on a case by case basis. As such, we found it prudent not to accrue the penalties and interest of \$46,991,044. A team has been appointed to review and verify the accuracy of the balances recorded.

Review of Information in TAMIS and ETAX Systems

Paragraph 5.2 i) of the Report:

A sample of tax payers' accounts from the receivable schedule were reviewed to determine whether the balances extracted from the systems, TAMIS and ETAX, were accurate and reliable. Examination of the sample revealed differences with some of the account balances recorded in the schedule and that seen in the systems. These differences affected the accuracy and reliability of the information contained in the receivable schedule and in turn the overall receivable balance reported for the financial year. Details are noted below:

TAMIS

i) The TAMIS receivable schedule presented captured balances as at 1st March 2021 instead of as at 31st March 2021. In addition, other anomalies existed such as reassessments and payments received which were not reflected in the balances in the schedule; incorrect interest amounts; and omitted interest and penalties. The rationale for some differences however could not be determined; hence they could not be verified. (See Appendix 3).

Response to Paragraph 5.2 i) (TAMIS) of the Report:

The TAMIS Debt Compliance Details at 2021-03-31 schedule as provided shows the TAMIS receivables balances at March 31, 2021 and not March 1, 2021. Please have your team reach out to clarify.

Interest is calculated monthly on amounts outstanding on the first of the month. The balance at March 31, 2021 would include the interest accumulated at March 1, 2021.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 5.2 ii) (TAMIS) of the Report:

(ii) Our examination also revealed that the balances for Personal Income Tax accounts did not include interest and penalties for the tax period 2018 and for ninety-six percent (96%) of the sample examined for 2019. At a meeting held on August 31st, 2021, the Revenue Commissioner stated that the interest calculation feature in TAMIS was switched off. Evidently, this action has resulted in the interest and penalties not being recorded which has led to the receivables being understated.

Response to Paragraph 5.2 ii) (TAMIS) of the Report:

This is noted. Numerous extensions of filing deadlines in the past (at the behest of the Ministry of Finance) have resulted in numerous changes to the on/ off status of the penalties and interest function within TAMIS. The TAMIS System was switched off in 2019 to address the incorrect application of penalties and interest to taxpayer accounts. The Authority has written to the Ministry of Finance identifying the issues which have arisen, and a request has been made to write off penalties and interest with a view to cleaning up the TAMIS System. The penalties and interest function has been reinstated and applicable charges are currently being applied to taxpayer accounts.

ETAX System

Paragraph 5.2 i) (ETAX System) of the Report

i) The Audit found inconsistencies in the ETAX system such as amounts recorded as outstanding even though payments were made; errors which were not corrected; errors which were corrected but not reflected in the outstanding balance; and incorrect interest amounts. (See Appendix 4).

Response to Paragraph 5.2 i) (ETAX System) of the Report:

As the Barbados Audit Office is aware, the legacy systems including ETAX and VETAS were plagued with technological challenges. As a result, limited reliance is placed on these systems' balances unless they are verified at the individual level. Inconsistencies and errors as noted are expected to arise and have been reported previously to the Barbados Audit Office. Internal project teams were established to review and verify all legacy systems balances with a view to arriving at a reliable estimate of refunds and receivables due to and due from taxpayers. A full summary of all systems issues is being compiled for submission. A copy of the project teams' project plans are attached for reference. It is proposed that these legacy systems be retired once this exercise is complete. Discussions are ongoing to determine a systems replacement for TAMIS.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

The Authority's team will now endeavor to review the accounts listed at Appendix 4 with view to providing specific clarification to you.

Paragraph 5.3 of the Report:

The errors and discrepancies noted with this system were reoccurring in nature; and hence reduced the level of reliance placed on the balances extracted. They also suggest that there are deficiencies in the recording and verification of information contained in these systems which should be addressed.

Paragraph 5.4 of the Report:

The discrepancies noted are based on the sample tested and suggests that there could be additional errors in the systems. These errors affects the accuracy of the overall receivable balance reported. As a result, reasonable assurance could not be provided that the overall receivable balance reported was fairly stated.

ETAX and VETAS Balances not migrated to TAMIS

Paragraph 5.5 of the Report:

The TAMIS system was implemented in 2018 to give the Authority greater efficiency in administering and monitoring the various taxes assessed and collected on behalf of Government. It was intended to replace the VETAS and ETAX systems. However, as at 31st March, 2021, the balances from the VET AS and ETAX systems have not been transferred to the TAMIS system as the Authority continues to use these systems to monitor and account for receivables dated prior to 2018. The information in the old systems should be migrated to TAMIS without further delay.

Responses to Paragraphs 5.3, 5.4 and 5.5 of the Report:

As a result of the systems errors referenced above, the Authority historically did not find it prudent to collate and migrate the ETAX and VETAS balances into TAMIS. On completion of the project reviews as indicated above, the balances from these legacy systems will be housed and maintained in a data warehouse to facilitate review and payment application so as not to in any way further distort the balances recorded in TAMIS. Migration will also be contemplated once the results of the exercise are known.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 5.6 of the Report:

Receivables Prior to 2013

The Authority indicated in Note 7.1 in the financial statements that \$316 million for Income Tax and \$419 million for Corporation Tax representing receivables prior to 2013 were not included in the opening balance. At the time of the audit, no evidence was presented to substantiate the basis on which the amounts were excluded. The omission of these amounts has therefore understated the receivable balance reported for the financial year 2020-21. This issue, previously brought to the attention of management, should be addressed.

Response to Paragraphs 5.6 the Report:

As the Barbados Audit Office is aware, the legacy systems including ETAX and VETAS were plagued with technological challenges. As a result, limited reliance is placed on these systems balances unless they are verified at the individual level. Inconsistencies and errors as noted are expected to arise and have been reported previously to you. Internal project teams were established to review and verify all legacy systems balances with a view to arriving at a reliable estimate of refunds and receivables due to and due from taxpayers.

In addition, the Authority has written to the Ministry of Finance to request the write off of penalties and interest within the legacy and current systems so as to facilitate and cleanup balances on taxpayers' accounts.

Paragraph 5.7 of the Report:

Dishonoured Cheques

The Dishonoured Cheques Register captures cheques totalling \$1,559,763. Audit sample of cheques totalling \$1,090,391 could not be vouched as reversed in the taxpayer's account. This stemmed from the absence of sufficient information, such as tax payer's account number, name and tax type to allow for the tracing of the amounts to the system. Audit verification was not possible for the dishonoured cheques as per the sample. The receivable balances would therefore be affected by these omissions. (see Appendix 5)

Response to Paragraphs 5.7 of the Report:

The dishonoured cheque listing will be updated to include the details as outlined to facilitate the tracing of the dishonoured cheques to the respective accounts.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 5.8 of the Report:

Auditor's Comment

As a result of the above discrepancies, the overall receivable balance could not be verified as fairly stated.

Paragraphs 6.1 i) and ii) of the Report:

Tax Refunds

The Tax Refunds payable was reported as \$611,882,671. This balance was determined by summing the tax refunds due at the end of the prior year and tax refunds assessed during 2020-21 and deducting write-offs and the tax refunds paid in 2020-2021. In verifying the amounts used to determine the tax refunds payable at the financial year end, the following discrepancies were noted:-

i) The Tax Refunds total included an amount of \$4,585,876.82 listed as Unallocated Refunds (VAT) for which no supporting documentation was presented. This amount could not be verified. (See Appendix 6)

ii) VAT Tax Refunds Payable was reduced by \$96,904,079 which related to write-offs. No supporting information was presented to verify the basis of the write-offs and the tax payers' accounts affected.

Responses to Paragraphs 6.1 i) and ii) of the Report:

The amount of \$4,585,876.82 was a reconciling difference between the amount shown as refunds paid on the refunds payable schedule and the refunds paid listings generated during the year. It should be noted that refunds paid in TAMIS do not automatically update the general ledger. A journal has to be prepared and keyed in the general ledger. The situation is the same for payments which are issued in TAMIS and have to be cancelled. Thus the increased likelihood of an unreconciled difference.

VAT Tax Refunds Payable was reduced by \$96,904,079. This amount related to write-offs i.e. the refunds due to taxpayers which were used to settle debt owed by the same taxpayers, as permissible. Supporting schedules are attached. It must be emphasized that amounts were not written off.

Paragraphs 6.1 iii) of the Report:

iii) The amount of \$1,678,410.67, recorded as Corporation Income Tax (CIT) Refunds Paid, incorrectly included an amount of \$831,881.66 which related to Consolidation Tax Refunds. The Corporation Income Tax (CIT) refunds was therefore overstated by \$831,881.66, and Consolidation Tax understated by the same amount in

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

this regard. This error also affected the Tax refunds payable for the mentioned tax types given that the refunds paid were used to reduce the payable balance.

Response to Paragraphs 6.1 iii) of the Report:

This is noted. The amount for Consolidation tax refund was inadvertently recorded in the corporation tax refund row on the spreadsheet.

Paragraphs 6.2 of the Report:

Auditor's Comment

6.2 Due to the above discrepancies, the Tax Refunds Payable balance could not be verified as fairly stated.

Response to Paragraphs 6.2 of the Report:

This is noted. We recommend that your team liaise with the finance team to obtain a full understanding of the calculations.

Other Issues

Paragraph 7.1 i) of the Report:

There were a number of internal control and other matters which were identified during the course of the audit as follows:

Tax Collections Not Seen in Ledger

- i) It would be expected that the Authority would use the information posted in the Ledger to provide information for the financial statements. A review of the ledger indicated that there were taxes collected which did not appear in the Ledger. A sample of taxes totaling \$14,775,843.68 could not be traced to the bank/cash account in the ledger. The extent of the misstatements could be greater given the audit examination was done on a sample of the population. (See Appendix 7).*

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Response to Paragraph 7.1 i) of the Report:

A review of our records indicated that the \$14,775,843.68 was indeed posted to the bank account in ledger. See journal ID's and deposit numbers included below. The amounts highlighted in red are part of the total of the relevant deposit slips and are in addition to the \$14,775,843.68 highlighted by you.

| Journal ID | Deposit # | Collections Date | Cash | Credit Cards | Cheques | TOTAL |
|---------------------------|-----------|------------------|-----------|--------------|--------------|---------------------|
| Bridge Street Mall | | | | | | |
| ZSD200914144502197HU | 002528 | 14-Sep-20 | 42,455.70 | 462,158.80 | 36,159.99 | 540,774.49 |
| ZSD210322143009177HU | 002657 | 22-Mar-21 | 11,829.15 | 3,252.46 | - | 15,081.61 |
| ZSD210323150646190HU | 002658 | 23-Mar-21 | 26,598.47 | 2,914.27 | - | 29,512.74 |
| ZSD210325133917310HU | 002659 | 24-Mar-21 | 44,627.96 | 7,037.61 | - | 51,665.57 |
| ZSD210325133917420HU | 002660 | 25-Mar-21 | 33,159.30 | 6,106.16 | - | 39,265.46 |
| ZSD210326142613687HU | 002662 | 26-Mar-21 | 21,807.25 | 11,356.49 | - | 33,163.74 |
| ZSD210329144635363HU | 002663 | 29-Mar-21 | 22,519.20 | 8,161.20 | - | 30,680.40 |
| ZSD210331184911720HU | 002664 | 30-Mar-21 | 88,095.50 | 5,579.76 | - | 93,675.26 |
| ZSD210331184911823HU | 002665 | 31-Mar-21 | 33,735.25 | 12,615.08 | - | 46,350.33 |
| ZSD210331184911823HU | 002666 | 31-Mar-21 | 35,167.85 | 29,311.55 | - | 64,479.40 |
| Sub-total | | | | | | 944,649.00 |
| Weymouth | | | | | | |
| ZSD200925150631930HU | 002050 | 44,461.00 | 89,592.80 | 174,614.39 | 3,199,108.59 | 3,463,315.78 |
| ZSD200925150631930HU | 002049 | 44,463.00 | 20,040.80 | 11,716.95 | 1,790,338.37 | 1,822,096.12 |
| ZSD200928125442000HU | 002052 | 44,464.00 | 21,900.70 | 40,560.21 | 2,050,602.70 | 2,113,063.61 |
| Sub-total | | | | | | 7,398,475.51 |

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

| Journal ID | Deposit # | Collections Date | Cash | Credit Cards | Cheques | TOTAL |
|-------------------------|-----------|------------------|-----------|--------------|--------------|---------------------|
| Holetown | | | | | | |
| ZSD200909281254441390HU | 001299 | 22-Sep-20 | 40,799.00 | 181,255.15 | 1,546,095.95 | 1,768,150.10 |
| ZSD200928125441390HU | 001300 | 23-Sep-20 | 66,374.60 | 135,863.97 | 858,399.05 | 1,060,637.62 |
| ZSD200928125441390HU | 001301 | 24-Sep-20 | 48,001.55 | 62,798.15 | 944,829.65 | 1,055,629.35 |
| ZSD200928125441390HU | 001302 | 25-Sep-20 | 17,228.90 | 28,559.41 | 1,363,334.26 | 1,409,122.57 |
| ZSD210322143008960HU | 001386 | 22-Mar-21 | 17,392.30 | 23,926.80 | - | 41,319.10 |
| ZSD210323150345757HU | 001389 | 23-Mar-21 | 10,919.55 | 14,864.94 | - | 25,784.49 |
| ZSD210324124052920HU | 001390 | 24-Mar-21 | 10,170.85 | 3,058.94 | - | 13,229.79 |
| ZSD210325133917097HU | 001391 | 25-Mar-21 | 10,480.10 | 13,511.32 | - | 23,991.42 |
| ZSD210329144634930HU | 001392 | 26-Mar-21 | 16,172.35 | 13,630.49 | - | 29,802.84 |
| ZSD210329144635037HU | 001393 | 29-Mar-21 | 20,326.55 | 7,109.62 | - | 27,436.17 |
| ZSD210330143642043HU | 001394 | 30-Mar-21 | 28,779.60 | 93,442.69 | - | 122,222.29 |
| ZSD210331184911313HU | 001395 | 31-Mar-21 | 36,285.00 | 18,707.06 | - | 54,992.06 |
| ZSD210331184911313HU | 001396 | 31-Mar-21 | 21,259.49 | 23,543.26 | - | 44,802.75 |
| Sub-total | | | | | | 5,677,120.55 |
| Oistins | | | | | | |
| ZSD210326142613360HU | 001607 | 24-Mar-21 | 15,056.60 | 13,588.47 | 12,027.48 | 40,672.55 |
| ZSD210326142613360HU | 001608 | 25-Mar-21 | 22,047.55 | 15,703.57 | 12,427.00 | 50,178.12 |
| ZSD210331184911417HU | 001611 | 30-Mar-21 | 32,487.85 | 23,866.58 | 133,673.81 | 190,028.24 |
| ZSD210331184911417HU | 001612 | 31-Mar-21 | 29,397.80 | 24,085.88 | 74,218.64 | 127,702.32 |
| Sub-total | | | | | | 408,581.23 |

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

| Journal ID | Deposit # | Collections Date | Cash | Credit Cards | Cheques | TOTAL |
|----------------------|-----------|------------------|-----------|--------------|----------|----------------------|
| Pine | | | | | | |
| ZSD200928125441593HU | 001326 | 24-Sep-20 | 19,153.50 | 7,515.83 | 7,952.50 | 34,621.83 |
| ZSD200928125441697HU | 001327 | 25-Sep-20 | 20,856.70 | 2,609.17 | 6,820.00 | 30,285.87 |
| ZSD210323150646083HU | 001425 | 22-Mar-21 | 28,397.00 | 6,880.00 | 9,842.50 | 45,119.50 |
| ZSD210325133917203HU | 001426 | 23-Mar-21 | 29,269.70 | 8,782.00 | 8,990.00 | 47,041.70 |
| ZSD210326142613467HU | 001427 | 24-Mar-21 | 30,368.20 | 15,245.83 | 225.00 | 45,839.03 |
| ZSD210329144635257HU | 001428 | 25-Mar-21 | 21,242.20 | 12,573.89 | 6,980.00 | 40,796.09 |
| ZSD210330143642260HU | 001429 | 26-Mar-21 | 20,541.75 | 14,168.50 | 2,380.00 | 37,090.25 |
| ZSD210331184911520HU | 001430 | 29-Mar-21 | 44,129.55 | 5,696.97 | 8,231.00 | 58,057.52 |
| ZSD210331184911620HU | 001431 | 30-Mar-21 | 21,988.10 | 4,965.00 | 9,287.50 | 36,240.60 |
| Sub-total | | | | | | 375,092.39 |
| Total | | | | | | 14,803,918.68 |

Paragraph 7.1 ii) and iii) of the Report:

Cash Collections

ii) A sample of daily collections for the Weymouth, Holetown, Oistins, Treasury/Bridge Street Mall and the Pine locations were reviewed to determine whether the controls implemented were operating effectively. The following discrepancies were found in the conduct of our review.

G4S Receipts Not Signed by the Accountant

iii) G4S is the security entity that collects and deposits funds collected by the Authority at the end of the workday. The control of signing off on G4S receipts was not followed at all times. Signatures were not affixed to the G4S receipts for fifty-three percent (53%) of the sample examined for the Bridge Street Mall location and thirty-two

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

percent (32%) for the Holetown location. This was not in keeping with the internal procedures of the Authority. (see Appendix 8)

Response to Paragraph 7.1 ii) and iii) of the Report:

This query is noted. The Authority will remind the Accountants of the importance of adhering to internal controls. The process of signing off the receipts will be monitored to ensure the signoff is done at all times.

Paragraph 7.1 iv) of the Report:

Cheque Amounts Recorded in Cashier Report Not in Agreement with Central Bank Cheque Listing

- iv) On September 22, 2020, cheques totaling \$10,198,548.08 were recorded on the Cashiers' Reports for the Treasury/Bridge Street Mall location. This amount did not agree to the Central Bank Listing which recorded \$3,536,006.77; resulting in a difference of \$6,662,541. No justification was presented for this significant difference which should be investigated as a matter of urgency. (see Appendix 9)*

Response to Paragraph 7.1 iv) of the Report:

The Authority kindly asked that the Barbados Audit Office team liaise with the Authority to verify the difference as the Authority's records do not reflect additional variances for September 22, 2020. reconciliation of the collections and postings in ledger are being conducted daily.

The transaction referred to was entered at the Oistins location and not at the Bridge Street Mall location. The amount under review of \$6.7M can therefore be found in the Oistins Cashiers Report which reconciled to the Oistins Central Bank Cheque listing dated September 21, 2020 and not September 22, 2020. Therefore, there is no unreconciled difference in this regard and all cheques were accounted for, and all funds deposited.

The consolidated information from the Cashiers Reports and the combined Central Bank Cheque listings across all locations reveal that all balances for the dates noted reconciled and no discrepancies were found.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 7.1 v) of the Report:

No Evidence of Surprise Cash Inspections

v) No documentation was presented to verify that cash inspections were carried out for the financial year 2020-21 as required by the Financial Rule 116. With revenue collections of over \$1,500,000,000, the Authority should ensure that this control procedure is carried out thereby ensuring that the funds collected on behalf of the Government are safeguarded and accurately recorded.

Response to Paragraph 7.1 v) of the Report:

This query is noted. Restricted movement across locations as a result of COVID impacted this activity as physical interaction was limited. This activity has recommenced at March 2022 with the lifting of COVID restrictions and the return of staff to the office. Subsequent cash inspections were completed on March 18 and 19, 2022.

Paragraph 7.1 vi) of the Report:

Deferred Revenue

vi) According to Note 11 in the financial statements, the amount of \$289,000 reported as Deferred Revenue represented prepayment of land tax as at March 31, 2021. Based on the Land Tax payment schedule presented, total overpayments recorded for the financial year was \$814,551, this resulted in an unexplained difference of \$525,551. No other information was presented to substantiate the amount recorded as Deferred Revenue. Due to the difference found, the amount reported as Deferred Revenue could not be verified. (See Appendix 10)

Response to Paragraph 7.1 vi) of the Report:

This unexplained difference will be investigated and the necessary adjustments made.

Further to the Authority's response above, a review of the account has revealed that the balance of \$289,000 relates to prior years. The necessary adjustment re: overpayments in land tax will be made to the deferred revenue account.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Paragraph 7.2 of the Report:

Reconciling Differences between Bank Statement and Ledger (Cash/Bank account)

The March 2021 bank reconciliation statement for the Republic Bank (Barbados) Limited, and ledger was reviewed. This statement recorded \$46,000,825 as reconciling differences, some of these amounts have been brought forward from year to year. (See Appendix 11). This difference included the following:-

i) Funds totalling \$11,080,515 which were transfers from the revenue account to the Central Bank which were not recorded in the ledger (Smart Stream). This amount included transfers from June 2018 to March 2021, which should have been posted to reduce the cash balance in the ledger.

i) The amount of \$17,122,112 which related to prior year reconciling differences brought forward from May 2018. When compared to the March 2020 bank reconciliation no change was noted with the amount indicating that the difference was not rectified.

iii) The amount of (\$15,772,742) related to Credit advice (wire transfers) which consisted of (\$38, 669,092) brought forward from June 2018 to March 2020 and \$21,959,408 for the financial year 2020-21. This cumulative amount resulted in the ledger recording more than the bank account. (see Appendix 11. 1)

iv) Credit Card deposits totaling \$3,295,916 which resulted in the ledger recording less transaction amounts than the bank. This indicates that not all collections were accounted for in the ledger. This amount also included brought forward differences from 2018 to March 2020. (see Appendix 11.2)

Paragraph 7.3 of the Report:

These differences reflected in the bank reconciliation indicates that improvements are required in the verification and resolving of errors or discrepancies. The growth of unresolved differences reduces the effectiveness of the bank reconciliation process and suggests that the information reported by the Authority may not be accurate therefore reducing the level of reliance placed on the statements presented each financial year.

Paragraph 7.4 of the Report

The process of recording and verifying the information captured in the ledger needs to be improved as this issue was brought to the attention of management in the prior year's audit report.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

Response to Paragraph 7.2, 7.3 and 7.4 of the Report:

Most of the adjustments are related to prior periods. The Authority is currently undertaking a cleanup exercise to eliminate these balances. The Authority will confirm the source of the reconciling differences and make the necessary adjustments in ledger to eliminate them. Efforts will be made to resolve unreconciled differences in the bank reconciliation statements in a timely manner.

Paragraph 7.5 of the Report:

Auditor's Comment

These material differences reflected in the bank reconciliation statement indicates that prompt action is required in the resolving of any errors or discrepancies. These large longstanding differences reduces the effectiveness of the bank reconciliation process and suggests that the related information reported by the Authority may not be accurate. This reduces the level of reliance that can be placed on the financial information produced by the Authority.

Conclusion

Paragraph 8.1 of the Report:

The audit of the Authority was characterized by extremely long delays in the provision of information to the auditors and this would have impacted negatively on its timely completion.

Response to Paragraph 8.1 of the Report:

This comment is noted and the Authority is working assiduously to meet the timelines as prescribed.

Paragraph 8.2 of the Report:

Records for receivables are scattered over several systems in addition, there are write-offs without information being provided for review and the non-inclusion of hundreds of millions in the amounts presented in the schedules. This does not augur well for the management of outstanding receivable which are estimated at over \$2,000,000,000.

Response to Paragraph 8.2 of the Report:

As the Barbados Audit Office is aware, the legacy systems including ETAX and VETAS, and now TAMIS are and were plagued with technological challenges. As a result, limited reliance is placed on these systems balances unless they are verified at the individual level. Inconsistencies and errors as noted are expected

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

to arise and have been reported previously to you. Internal project teams were established to review and verify all legacy systems balances with a view to arriving at a reliable estimate of refunds and receivables due to and due from taxpayers.

In addition, the Authority has written to the Ministry of Finance to request the write off of penalties and interest within the legacy and current systems so as to facilitate and cleanup balances on taxpayers' accounts.

Paragraph 8.3 of the Report:

Cash and banking information was not properly reconciled and this matter has been ongoing for several years and pose risk of errors, omissions or act of fraud being perpetuated and concealed.

Response to Paragraph 8.3 of the Report:

The differences relate primarily to prior periods. The Authority has appointed a project lead and is currently undertaking a cleanup exercise to eliminate these balances. The Authority will confirm the source of the reconciling differences and make the necessary adjustments in ledger to eliminate them. Efforts will be made to resolve unreconciled differences in the bank reconciliation statements in a timely manner.

Paragraph 8.4 of the Report:

The issues outlined in this report are significant and needs to be urgently addressed as it would appear that the Authority has significant challenges in producing financial statements that are in accordance with its policies.

Response to Paragraph 8.1 of the Report:

Project teams have been identified to review and resolve the issues noted and identified.

Responses to Paragraphs 8.1, 8.2, 8.3 and 8.4 of the Report:

- The Authority continues to document, improve and implement finance processes and procedures, and indeed processes and procedures across the organisation. In addition, a review of the tax platforms will be undertaken in the upcoming fiscal year with a view to making improvements to the revenue collection process.
- We have had ongoing dialogue with the Treasury with a view to refining the financial statement information for 2022/23.

OUR REF: 006/6/0

August 6, 2022

Permanent Secretary, Finance
Ministry of Finance, Economic Affairs & Investment

- The revenue recorded by the Authority in the Statement of Administered Revenue represents the collections transferred to the Treasury for the period. The accounts receivable represents any amounts assessed but not collected. Thus, the revenue is a combination of the collections plus the receivables for any period. Consequently, as all funds are transferred to the Treasury on a daily basis, any amounts assessed and not received are, as a corresponding entry recorded as Due to the Treasury.
- As it relates to collections not being recorded in ledger, please see above where the Authority provide supporting information to show that these amounts are indeed recorded. As it relates to dishonoured cheques, the Authority stated that additional details would be provided to help facilitate the Barbados Audit Office's review and that supporting documentation could be provided for any other amounts required upon request.
- The Authority's revenue recording systems have been plagued with technological challenges. Internal project teams were established to review and verify all legacy systems balances with a view to arriving at a reliable estimate of refunds and receivables due to and due from taxpayers.

The Authority expresses thanks to the Barbados Audit Office and will seek to implement measures to address the concerns raised.

Yours faithfully

.....
Louisa Lewis-Ward
Revenue Commissioner

Schedule of Responses to the Auditor General – Financial Year 2020 – 2021
School Meals Centre (Ministry of Education, Technological and Vocational Training)

| | AUDITOR GENERAL COMMENT | COMMENTS |
|--|--|--|
| | Special and Follow up Audits | |
| | <p>4.46 In the 2018 Report were some concerns relating to the Construction of a School Meal Centre (the Centre) at Six Roads, St. Philip. This Centre was to provide meals to twenty (20) schools and cater to emergency situations in the event of a national disaster. The Project involved the construction of a two (2) storey building and included the procurement and installation of equipment for its kitchen. A contract was awarded to a Firm for the sum of \$19.90 million and was to be constructed during the period August 2012 to January 2014.</p> <p>4.47 The slow progress of the construction of the Centre has been a concern and at June 2022, some ten (10) years after construction commenced, it still remains incomplete. Major hurdles to its construction included late payments to the Contractor, disputes between the Contractor and Contract Administrator over the installation of certain pipes, removal of a boat from the land earmarked for the car park, timely procurement and installation of the kitchen equipment and disputes between the Contactor and the Ministry resulting in a cessation of construction activities in January 2019 (revised construction period). It was then projected that the final cost of construction would be \$25.36 million which was \$5.46 million more than had been contracted.</p> | <p>Response as published in Auditor's General's Report</p> <p>An independent Quantity Surveyor, engaged by the Ministry, estimated that the budget required to complete the School Meals Centre for occupation will be approximately BDS \$6.5 million excluding VAT and professional fees. Cabinet approved the proposal in August 2021. Subsequently, an agreement was reached with the Contractor and the project is due to restart shortly. The Ministry of Housing by email dated August 5, 2020, confirmed the removal of the boat from Lot 8, BIDC Estate.</p> <p>Updated Response</p> <p>Work on the School Meals Centre had been halted by July 2016. In the 2018 Auditor General's report a comprehensive audit was conducted on this centre, detailing the challenges encountered.</p> <p>The Government has concluded that it is important to complete the project. Consequently it has been determined by an independent quantity surveyor that it will cost approximately \$10.60M more to complete the project and construction is set to recommence in the current financial year. As such an amount of \$3M has been provided in this year's estimates.</p> <p>The lengthy disputes with the contractor have now been settled and a Project Manager has been appointed. Additionally, provision has been made to pay the sub-contractors.</p> |

Schedule of Responses to Auditor General – Financial Year 2020 – 2021

Clearwater Bay Limited

Synopsis of Events Leading to Current Status with Respect to Clearwater Bay Limited

Clearwater Bay Ltd. is the mortgagee of the several properties commonly called the Four Seasons properties. These properties were formerly charged to Consolidated Finance Co. Ltd. as security for a loan of US\$60,000,000.00 together with interest thereon. When the loan was called by Consolidated Finance Co. Ltd., Clearwater Bay Ltd., acting as agent of the Ministry of Finance and Economic Affairs, repaid the loan in full.

By a Deed of Assignment dated 1st September, 2016, Consolidated Finance Co. Ltd. assigned all of its rights under its debenture to Clearwater Bay Ltd. and Clearwater Bay Ltd. thereby became the holder of the security over of the Four Seasons properties.

By two deeds of conveyance dated the 29th December 2014, but prior to the assignment of the charges to it, Clearwater Bay Ltd. joined in a two conveyances by the registered owner of the properties, in its capacity as mortgagee. That sale was by Paradise 88 Ltd., the then owner of the lands, to a company called Pharliciple Inc. In one conveyance the purchase price for one of the properties was US\$27,500,000.00. In the conveyance of the other properties, the purchase price was US\$32,150,000.00. These deeds were recorded at the Land Registry. In as much as Clearwater Bay Ltd. was a party to these conveyances as mortgagee, the purchase monies were to have been paid to that company. However, no monies were ever paid under the conveyances to Clearwater Bay Ltd. by Pharliciple Inc.

In 2016, Clearwater Bay, by a Deed of Conveyance and acting under its power of sale as a mortgagee, sold the Four Seasons properties to a company called Blue Development Ltd. for US\$59,000,000.00. No purchase price was paid and the purchase price was secured to Clearwater Bay, Ltd by: a) A debenture in the amount of BDS\$ 58,000,000.00; and b) A deed of charge by way of legal mortgage in the amount of BDS\$60,000,000.00. Blue Development Inc. and Pharliciple Inc. had common directors but their shareholding is unknown.

There was an additional agreement entered into at the same time between Clearwater Bay Ltd. and Blue Development Ltd., that for so long as Blue Development Ltd. was in discussion with an investor, that Clearwater Bay Ltd. would take no steps to enforce the securities.

These deeds remain undated to this day and neither the Deed of Conveyance, the Debenture nor the Mortgage were ever filed in the Land Registry or Companies Registry in the case of the Debenture. The effect of this is that Clearwater Bay Ltd. is holding security documents that have not been “perfected” and that cannot be enforced.

A decision was taken in 2020 that Clearwater Bay Ltd. needed to put itself in a position to call the loans and to enforce its security. However, the securities first had to be “perfected” before any action could be taken on them by Clearwater Bay Ltd.

In addition, Blue Development had not paid any land taxes on the property and as at 19th March 2021, the land taxes had accumulated to \$1, 862,523. In addition, the sum of \$709,216 in stamp duties on the charges and in filing fees were due to Clearwater Bay Ltd. from Blue Development Ltd. These amounts were demanded from Blue Development Ltd. by the attorneys acting for Clearwater Bay Ltd. by letter dated 19th March, 2021.

Moreover, given that more than 28 days had passed since the execution of the Debenture, an extension of time for its filing needed to be granted by a judge in chambers. The application for the extension of time was made in the High Court but was contested by Blue Development Ltd. and therefore required a full trial on the issues. The decision was given by Mr. Justice Chandler on 31st August 2021, granting the extension of time. However, Blue Development Ltd. has appealed the judge's decision and the appeal is set to be heard in November of 2022.

Only after this course of litigation is settled and the securities held by Clearwater Bay Ltd. "perfected", would Clearwater Bay Ltd. be able to enforce its security over the Four Seasons properties and recover the amount due, which is BDS\$ 118,000,000.00 (US\$59,000,000.00).

The efforts by Clearwater Bay Ltd. to enforce the security are continuing but given the uncertainty of both the outcome of court proceedings and the time lines for the exhaustion of any legal challenges by Blue Development Ltd., it is difficult to estimate when a new sale of the properties can be accomplished. While this is taking place it is prudent to let the country know that there are credible investors who are keen to purchase and develop the property. However, Government's hands remain tied.

| AUDITOR GENERAL COMMENT | COMMENTS |
|--|---|
| <p><u>AUDITOR GENERAL'S REPORT 2018</u></p> <p>Advances to State Enterprises</p> <p>2.36 e) An amount of \$124 million was advanced to a Government owned company, Clearwater Bay, to settle a loan guarantee made in respect of the Four Seasons project a number of years ago. This advance was not from an appropriation as required by law.</p> | <p>Response as published in the Auditor General's Report:</p> <p>The advances referred to were based on instructions sent from the Ministry of Finance to the Treasury.</p> <p>Updated Response</p> <p>It is agreed that the advance was not properly appropriated. The Clearwater Bay Limited (Guarantee of Loan) Act, 2011, an Act to provide for the Government of Barbados to guarantee, in respect of Clearwater Bay Limited, a company wholly owned and controlled by the Government, the obligations of the company under the deed of guarantee relating to the term loan facility to be made available for the recommencement of the Four Seasons Development Project.</p> <p>The Bill was certified by the Attorney General on March 7, 2011; debated in all stages and passed in the House of Assembly on March 8, 2011; debated in all stages and passed in the Senate on March 9, 2011; and signed into law on March 10, 2011 by the then Governor General.</p> |

| | |
|---|--|
| <p>It should however be noted that there is uncertainty as to what securities are owned by the Government to cover this loan.</p> <p>In addition, due to the deterioration of the premises it would be quite doubtful whether the full value of this loan could be realized and the carrying value of this asset may need to be adjusted in the books of the Treasury.</p> | <p>In spite of the passing of this Bill, the advance should have been properly appropriated by a resolution in Parliament once the guarantee was called, as outlined by the Auditor General in his 2018 report.</p> <p>The securities owned by the Government to cover the loan were the land and buildings on the site.</p> <p>Having assessed the situation, the Ministry of Finance agreed with the Auditor General's assertion in his 2018 Report that the carrying amount of the asset was quite doubtful and the adjustment was made in the books of the Treasury for 2018-2019.</p> |
| <p><u>AUDITOR GENERAL'S REPORT 2020</u></p> <p>Assumption of Debt and Other Liabilities of State Owned Enterprises</p> <p>2.26 The treatment of the investment in Clearwater Company needs to be further explained. The investment in this Government owned company was recorded at a value of \$124 million investment in prior years. It represented an investment by Clearwater in the Four Seasons Hotel project. The value of this investment remained unchanged on the books of Government for several years even though the property on which the investment was based was significantly impaired. In the 2018-2019 financial year, the entire investment was written off. It has not been clearly established what was the basis for the entire write off of the investment. It was also not clear what was the nature of the investment relationship Clearwater had with the hotel owners. The investment and subsequent write off could not therefore be verified by the auditors.</p> | <p>Updated Response</p> <p>The basis for the investment being entirely written off was that the title to the land had been transferred to a private entity and as the Government no longer owned the property there was technically no asset to be valued.</p> <p>This matter is now in court and the asset will remain on the Government books with a zero balance until a decision is made by the court. In the event that the decision is favorable, the value of the asset will be reinstated in Government books at the realizable value at that time.</p> <p>We have followed up with the Audit Office to better understand the query with respect to the relationship between Clearwater and the hotel owners.</p> |

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| <p><u>AUDITOR GENERAL'S REPORT 2021</u></p> <p>Review of matters pertaining to a loan guarantee by Clearwater Bay Limited, in respect of the Four Seasons Hotel Project (2021)</p> <p>4.49 In the 2018 and 2020 Reports, it was indicated that there were some concerns surrounding the accounting treatment of a loan guarantee made by the Government of Barbados through its' company, Clearwater Bay Limited in the sum of \$120 million. This guarantee was in relation to the construction of the proposed Four Seasons managed hotels and villas. The sum of \$120 million had appeared in the books of the Government as a receivable for a number of years but was completely written off in 2018.</p> <p>It was previously indicated that enough information was not provided to my Office as to the nature of the arrangement between Clearwater Bay Limited and the developers.</p> <p>In any event, the entire \$120 million should not be written off since the lands on which the project was being built were valuable; instead the value in the accounts should be written down rather than to be completely written off.</p> | <p>Updated Response (See responses above re 2018 and 2020 queries related to the queries on the accounting treatment of the loan guarantee)</p> <p>The basis for the investment being entirely written off was that the title had been transferred to a private entity and as the Government no longer owned the property there was technically no asset to be valued.</p> <p>This matter is now in court and the asset will remain on the Government books with a zero balance until a decision is made by the court. In the event that the decision is favorable, the value of the asset will be reinstated in Government books at the realizable value at that time.</p> |
| <p>4.51 In respect of the sale of the property, a review of the records at the Land Registry Department indicates that the property has been conveyed to a private company. However, there is no evidence of consideration being paid.</p> | <p>Government's legal advice on this matter is that the deeds remain undated to this day and neither the Deed of Conveyance, the Debenture nor the Mortgage were ever filed in the Land Registry or Companies Registry in the case of the Debenture. The effect of this is that Clearwater Bay Ltd. is holding security documents that have not been "perfected" and that cannot be enforced.</p> |

Schedule of Responses to the Auditor General – Financial Year 2020-2021

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| | <p>Seasonal Agriculture Workers Program (SAWP) in Canada</p> <p>4.54 The Barbados Liaison Service Office has been facilitating work opportunities for Barbadian workers in Canada for over fifty (50) years under the Seasonal Agriculture Worker Program (SAWP). The number of Barbadian workers in this program has steadily declined since the high point of one thousand and thirty-two (1,032) in 1989. Based on the information provided, an average of one hundred and sixty-two (162) workers participated in the program annually during the period 1st April 2014 to 31st March 2020.</p> | <p>Ministry of Labour's Response</p> <p>During 2020, the COVID-19 pandemic had a severe impact on the number of persons employed on the Seasonal Agricultural Workers' Program (SAWP) in Canada and the number of workers requested fell to one hundred and twenty-three (123). In 2021, one hundred and eight (108) workers were employed in the SAWP which included requests from two new employers to the program. There was much uncertainty and upheaval in the Canadian labour market surrounding the rapidly changing protocols and regulations, again due to the pandemic. So far for 2022, one hundred and twenty-six (126) requests have been received from Canadian employers for Barbadian Workers. Of these requested workers, sixty-seven (67) have travelled to Canada to date and the other workers are being processed according to the expected commencement dates for their contracts. The Liaison Service has been engaging employers and their representatives by way of calls, emails and visits where possible, in order to raise the number of requests for Barbadian workers in this program.</p> |
| | <p>4.55 A review of various files and information provided by the Liaison Service Office indicated that several methods were employed to increase the number of workers in the program which included attendance at agricultural trade shows and direct contact with farmers. However, the Liaison Office had not provided any evidence to indicate that the abovementioned methods resulted in additional workers being recruited. It is important for this information to be provided since it would assist in determining the effectiveness of these efforts.</p> | <p>Updated Response</p> <p>The Ministry is filling 122 requests in the Seasonal Agricultural Workers Program. Four positions previously requested have been cancelled. Over 80 persons have travelled so far.</p> <p>The Ministry is also filling 158 requests in the Temporary Foreign Workers Program (cooks, room attendants, landscapers, livestock farm hands, butchers). Ninety four (94) persons have been selected so far.</p> <p>Cabinet has recently approved an MOU with the British Columbia Hotel Association that will open up additional opportunities in the tourism sector.</p> |
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| <p>Non-Skilled Workers Program in USA (H2B)</p> <p>4.56 H2B Program – Non-skilled Workers in the USA 4.56 The Barbados Liaison Service Office (the Office) in the United States of America (USA) started operations in 2001. The Office has responsibility for facilitating recruitment of Barbadian workers in a number of visa programs in the USA. One of the programs for which workers are sought is the H2B program which is for non-skilled workers. The high point for the recruitment of workers in this program was in 2007 when employment was found for one hundred and ninety (191) workers. However, during the six (6) year period from 2014 to 2020, no workers were employed through the Liaison Service Office in the USA. This was in spite of efforts made by the Office to jump-start the program.</p> <p>4.57 The Liaison Office had indicated that it made efforts to improve the situation which included attendance at trade shows throughout the United States and joining various business organizations/agencies within the Miami area for networking purposes and to obtain a better understanding of the business culture within the United States. These interventions, however, had no impact on any additional recruitment of workers into the program.</p> <p>4.58 I had recommended that “the Ministry needs to review the operations of the Liaison Service Offices in Canada and the USA with a view to determine how they can best be restructured to better serve the interest of the country”.</p> | <p>Ministry of Labour’s Response</p> <p>After a drought in this programme for a number of years, Barbados through the efforts of the Consul Liaison Office in Miami, was able to capitalise on the interest of H2B recruiters from Florida in the hospitality sector. Barbados was able to place one hundred and six (106) workers in the US Hospitality Sector for the winter season of 2021. To date for the 2022 summer season, there are one hundred and six (106) new requests of which sixty-three (63) have already travelled.</p> <p>Updated Response</p> <p>At July 2022, 77 persons had travelled to the USA in the H2B program (hospitality).</p> <p>The Ministry of Labour has expanded the number of recruitment programs to include agriculture and hospitality interns in the USA. So far, eight persons travelled to the USA in 2021 under the H2A program (agriculture) and it is expected that 16 persons will travel to the USA in September 2022 under the same program</p> <p>Additionally, as part of the J1 program for hospitality interns, eleven persons are in the USA.</p> <p>The Ministry of Labour will continue to review the liaison program to increase employment opportunities for Barbadians.</p> |
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MEMORANDUM

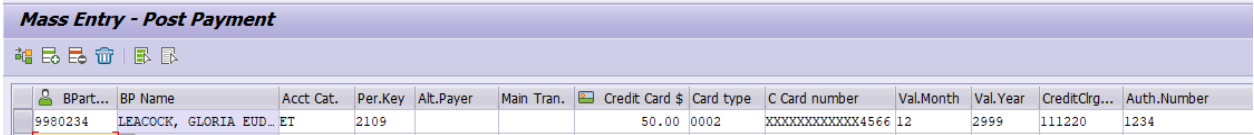
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| FROM: | Director, National Insurance | Our Ref: 620 |
| TO: | Permanent Secretary Ministry of Labour, Social Security & Third Sector | Your Ref: I. 3/2021/329 |
| | | Date: 2022-07-28 |
| SUBJECT: | Information Systems Audit of the National Insurance Department's SAP Application | |

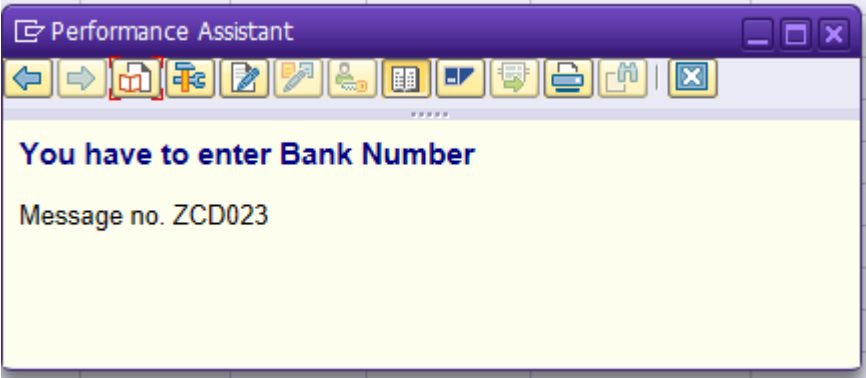
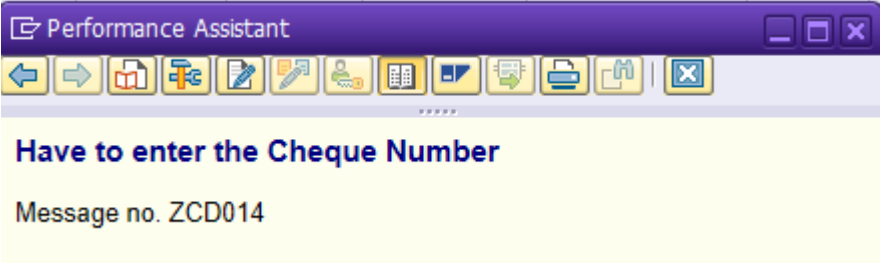
1. Reference is made to the memo dated July 12, 2022 which was received on July 26, 2022.
2. Please see the requested report on the queries raised by the Auditor General:

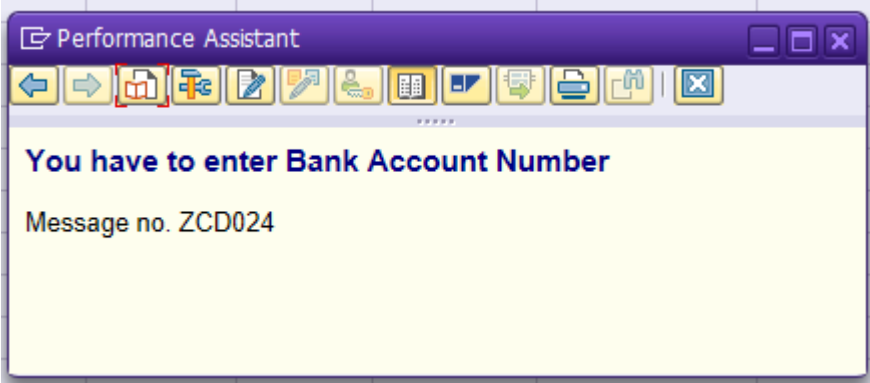
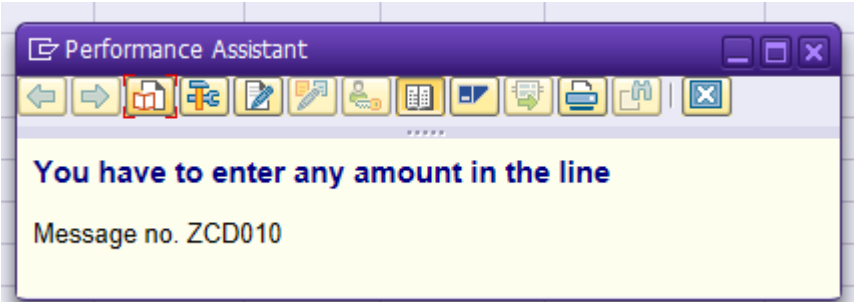
| Findings | Response |
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| 5.1.1 Employees in SAP Not on Staff List | <p>There will be some user accounts that exist within the SAP Enterprise Resources Planning (ERP) system that do not exist on the corporate active directory account. This class of user will include external consultants and SAP technical employees. There are instances where there are employees who have been transferred out of the department on a temporary basis to other government departments. Their network account at National Insurance would be disabled but their account on SAP would remain.</p> <p>It should be noted that the NIS contracts out services and as a result of the nature of work it is necessary for these persons to have access to our system. An example of one of these companies is ACR (Anthony Foster), however this user account has a definite expiry date which coincides with the ending date of the contract. It</p> |

| Findings | Response |
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| | <p>would appear that this data was pulled from the testing system and not Production.</p> <p>Seven of the persons listed in the Appendix retired or were transferred during 2020, so the names would remain until the effective date of retirement. Two of the other persons were associated with resolving problem claims, and as a result of system configuration the names would be affixed to the claim in SAP.</p> <p>Action Plan:</p> <p>The form used by HR to notify IT of vacation leave will also be used when persons are transferred or are retiring.</p> <p>The Information Technology Unit runs an end of year user audit where those SAP accounts are disabled if the user is not on the staff list. This audit will now be performed twice a year.</p> |
| 5.1.2 Over-Use of General User Accounts | <p>These generic users were created to run large jobs in the background.</p> <p>Action Plan:</p> <p>Discussions are being held with SAP to discuss each background job and reduce the number of users. Some of these have been removed and the remaining ones are being analysed to determine whether they can be removed. It should be noted that some of these roles are assigned to the External Audit staff since these personnel are changed frequently.</p> |
| 5.1.3 Inconsistent Enforcement of Password Rules | <p>There are two (2) methods of logging into SAP which are through a SAP password authentication and through single sign on (SSO) which uses an active directory to authenticate.</p> <p>The policy for regular changing of the password for active directory users is already enforced. This policy would need to be extended to SAP user accounts.</p> <p>Even though the account is seen as active, their SAP roles have been removed, hence the user will have no permission to perform an action within the SAP system except to log on and off.</p> <p>The Information Technology Unit has drafted a password policy to underpin our password rule enforcement. Our draft policies are guided by ISO 27001 security standards.</p> <p>It should be noted that users can <u>only</u> access SAP after they have logged onto the windows network and users</p> |

| Findings | Response |
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| | <p>are required to change the windows network password every three months.</p> <p>Action Plan:</p> <p>The preferred solution is to link the SAP user authentication via the web browser to the active directory where the password change policy can be enforced. The IT Unit has reached out to SAP Premium services support to determine if such a solution exists. We are still awaiting a response from SAP Premium Services Support.</p> <p>However, the IT Unit can implement a short-term fix where the organization password policy can be implemented for SAP User accounts for those users who log onto the web interface.</p> <p>This short-term fix can be implemented by September 1, 2022. In the period before September 1, 2022 the following actions are to be taken:</p> <p>Notification to the staff that the password policy is to be implemented for SAP user accounts,</p> <p>Prepare the service desk to manage the increased demand to reset passwords as people may have forgotten their passwords.</p> |
| Findings | Response |
| <p>5.2.1 Deficiencies in Internal Controls within SAP</p> | <p>i. Currently, the Chief Cashier (CC) has the authorization to open a cashier's cash desk; although the (CC) can open a cashier's cash desk, the CC would do this under their own login name. As a result, any transactions recorded by the CC can be seen using the Cash Journal Evaluation transaction. There's a business requirement for the CC to post the float to the cashier's cash desk, since there's no workflow in SAP for the CC she has to go through the cashier's desk to post it.</p> <p>Action Plan:</p> <p>To complete the re-configuration of the cash desk to include the CC in the workflow.</p> <p>ii. Controls are built into SAP to prevent a clerical officer from processing a SOA right through to SSP stage. However, for unemployment follow-up claims a clerical officer can take the claim right through to completion since there's no need for approval again by the Senior Clerk. The issues relayed to IT were for sickness claims</p> |

| Findings | Response |
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| | <p>and these were so random that the problem could not be identified.</p> <p>Action Plan:</p> <p>IT will in conjunction with the consultant investigate the memory management of SAP to see what really happened.</p> <p>IT will revisit some of the claims to determine what occurred to see if it can be prevented again.</p> |
| 5.2.2 Inadequate input validation | <p>The Standard SAP Cash Desk Screen was not conducive to data entry and hence the “Mass Entry” was devised by SAP personnel in order to facilitate faster data entry by the Cashiers. This customized screen is the screen currently used by cashiers to enter incoming payments.</p> <p>In our current implementation, the SAP system does not interact directly with the VISA/Mastercard Databases and hence the validity of credit card is not supported in this solution. Therefore, once the requisite data has been keyed by the cashier, the Val Month and Val. Year are populated with ‘12’ and ‘2999’. However, it must be noted that the cashier should have swiped a valid credit card at the terminal to support their cash takings at the end of the day.</p>  <p>Keying banking information related to cheques</p> <p>Within the Mass Entry screen, it is not possible to save an incoming cheque payment without the supporting requisite cheque information i.e. bank details, cheque number or bank account number or amount. There validation checks listed on all of the fields outline above. All of these fields must be populated in order for the payment to be posted. Below are the validation checks for the Cash Desk are demonstrated for the NES system.</p> <p>Re: Appendix7, on presentation of their cheques, Cashiers must present a Bank Deposit report with all the requisite cheque information detailed on their reports.</p> |

| Findings | Response |
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| | <p data-bbox="539 236 1603 272">Validation check for ‘Bank Key’ (bank name and branch as denoted in the system)’</p> <div data-bbox="539 272 1402 651">A screenshot of a software window titled "Performance Assistant". The window has a purple title bar with standard minimize, maximize, and close buttons. Below the title bar is a toolbar with various icons, including a red box around a document icon. The main area of the window has a yellow background and displays the text "You have to enter Bank Number" in bold blue font, followed by "Message no. ZCD023" in a smaller black font.</div> <p data-bbox="539 730 1048 767">Validation check for ‘<i>Cheque Number</i>’</p> <div data-bbox="539 767 1417 1031">A screenshot of a software window titled "Performance Assistant". The window has a purple title bar with standard minimize, maximize, and close buttons. Below the title bar is a toolbar with various icons. The main area of the window has a yellow background and displays the text "Have to enter the Cheque Number" in bold blue font, followed by "Message no. ZCD014" in a smaller black font.</div> <p data-bbox="539 1110 1137 1147">Validation check for ‘<i>Bank Account Number</i>’</p> |

| Findings | Response |
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| |  <p>Validation check for '<i>Amount</i>'</p>  |
| <p>5.2.3 Inefficiencies in approval processes</p> | <p>i. The section had a full workflow but it reduced the flexibility and effectiveness of the department when there was an increase in a particular claim type. A decision was taken to discontinue when there was a large volume of a specific claim and there was a need to focus on reducing that type; workflow would not allow that it was disabled.</p> <p>Action Plan:</p> <p>We are still working on restructuring the section to enable the re-implementation of the workflow system.</p> |

| Findings | Response |
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| | <p>ii. It was decided that the manual aspect of recording cashier receipts in the CDCRs and verifying by the Chief Cashier should be retained when it was recognized that no workflow existed between the receiving cashiers and the CC. Management would have met with SAP consultants to have this issue resolved. The solution proposed was a revision of the cash desk structure with enhanced accountability at all levels, however, this exercise is still outstanding to date.</p> <p>Action Plan:</p> <p>This is an issue to be addressed in the changes to the cash desk re-configuration.</p> |
| 5.3.1 Inefficiencies in Contribution interest calculations | <p>In 2006 an amendment was made to the Act Section 43 subsection 4A, which removed the \$20 charge for interest. Therefore interest is only charged on 1% of the outstanding contributions per month. However, the change was not made to Regulations 16 of the Collection of Contributions Regulations.</p> <p>Action Plan:</p> <p>A memo will be sent to the Ministry of Labour requesting that the Chief Parliamentary Council draft the required amendment to the Regulations.</p> <p>Interest is run as a mass process, interest is not generated at the cashier point, they can only enter payments. However if a customer at the pay window indicates that they are making a late payment for a specific period the cashier would manually calculate the interest and this would be added to the payment. The cashier enters the <u>amount paid towards interest</u> into the system, as well as the amount paid towards contributions.</p> |
| Findings | Response |
| 5.3.2 Errors in Benefit processing | <p>It is agreed that there are some inaccuracies with linked claims, termed successor processing. These issues are being resolved, fixes are continuing as well as retesting of any problems which occur.</p> |
| 5.3.3 Payment of Duplicate | <p>This issue related mainly to overlapping benefits, the issues were broken down into 8 sub-categories. Three solutions have been implemented and working, another three the solution is still being tested and SAP is working on a solution for the last two. The aim is to get the solution working without human intervention.</p> |

| Findings | Response |
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| Benefits | |
| <p>5.3.4 Inconsistent Sequential numbering of Cash Journals</p> | <p>In this business process when the cashier is entering a transaction, the SAP system generates a number to be attached to that transaction. The SAP system blocks the generation of another transaction number until the previous transaction has been committed. In the environment where there are several cashiers who may be entering transactions at the same time, the result may be a significant delay as each cashier has to wait until a previous transaction is completed before they can start entering their own transaction.</p> <p>The alternative was to allocate a certain number of transaction numbers to each cashier to be used. As the cashiers exhaust their assigned range of transaction numbers, then the SAP system would generate another range of transaction numbers. This greatly improved the efficiency of the process. The disadvantage was that this resulted in inconsistent numbering of cash journals.</p> <p>SAP Company has made a recommendation on this specific issue indicating “No buffering should only be set if required for legal reasons” SAP Note 504875 – Buffering number ranges” indicates the disadvantage of not buffering are”</p> <ul style="list-style-type: none"> • Disadvantages: - Performance problems may occur, since a number is assigned in each case and the table remains locked until the next COMMIT or ROLLBACK. • You cannot request numbers in parallel. <p>The configuration not to buffer is a configuration option and the business decision was taken to buffer the number.</p> <p>Action Plan:</p> <p>The redesigning of the numbering of the cash journals will be reviewed when the re-configuration commences.</p> |

| Findings | Response |
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| Findings | Response |
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| 5.3.5 Business Partners with multiple identifiers | <p>It is possible for there to be a company with two different numbers if a company changes ownership but retains the business name, particularly if there are arrears owed by the previous owners.</p> <p>The majority of business partners (approximately 99%) with more than one NIS number shown in Appendix 10 are inactive, only one number is active, this can be easily verified by entering the number in SAP.</p> <p>There is a requirement for an employer who is not resident in Barbados to appoint an agent who assumes responsibility for matters related to NIS. Realtors who are agents for expatriate home owners e.g. Bajan Services Inc., register each employer and the contributions on behalf of the employers. Thirdly Employer numbers beginning with 4 are obsolete.</p> |
| 5.4.1 Identification of Delinquent Employers | <p>Using the system to identify delinquent Employers by generating a report was attempted. This exercise encountered the following problems:</p> <p>Thousands of BP's were identified which included not only delinquent but inactive (closed) organizations.</p> <p>The addresses for Employers were not current and therefore these Employers could not be located.</p> <p>The use of Case Management is tied to dunning and this has proven to be problematic since each step has to be completed within a specific time-frame. Dunning is a mass process and an issue occurs when one of the steps coincides with another critical mass process such as pension processing. In addition, the data has to be cleaned first before dunning can be manageable. We've started the process of data cleansing by entering liquidation dates of businesses suspected to be closed.</p> <p>The use of Case Management for the Compliance Section is being discussed. This has been delayed as the scanning of thousands of files is required, however this would not produce the results as required by dunning.</p> |
| Findings | Response |
| 5.4.2 Payments made in Respect of Deceased Persons | <p>Prior to 2019 the National Insurance Department received the death dates monthly and the quarterly from the Registration Department. As a result of IT issues at the Registration Department, the last death dates received in 2019 was for the period January 2017 to December 2018. Subsequent to 2019 the Benefits Section received information on deaths from the Newspapers daily as well as members of the public. On receipt of this information, the account of the deceased is locked pending the receipt of the death certificate.</p> |

| Findings | Response |
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| | <p>Action Plan:</p> <p>The National Insurance Department will reach out to the Registration Department as well as the Ministry of Innovation and Smart Technology for them to resume the submission of the death dates either bi-monthly or monthly, bi-monthly being the preferable option.</p> |
| 5.4.3 Software Bugs | <p>(i) The Department is actively working with SAP to have the issues addressed.</p> <p>(ii) This occurred mainly with EI and maternity claims. A fix was done for maternity which went into production in 2021, the solution for EI, however this does not impact on processing since SOAs and SSPs have their own numbers.</p> |
| 5.4.4 Inadequate Technical and User Documentation | <p>The key users had developed documents used in training staff in the various sections during implementation, both technical and processing manuals. However, there is no one comprehensive business process manual for the Department.</p> <p>Action Plan:</p> <p>The Department will develop a plan to update the mapping of the business processes, however it should be recognised that the same personnel is currently involved in current operations and some key persons have already retired.</p> |

The above is referred for your attention.



KIM TUDOR
Director
NIS