



Barbados Audit Office

Report
of the
Auditor General
for the year

2016



Strengthening public accountability by providing fair and independent reports

*B*arbados *A*udit *O*ffice



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of the
Auditor General
for the year
2016

MISSION STATEMENT

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

THE GOAL

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



THE BARBADOS AUDIT OFFICE
Weymouth Corporate Centre
Roebuck Street, St. Michael BB11080, Barbados



Tel: (246) 535-4254
Fax: (246) 535-4270
Email: audit@bao.gov.bb

April 12, 2017

His Honour The Speaker
The House of Assembly
Parliament Building
BRIDGETOWN

Sir,

In accordance with Section 113 (3) of the Constitution of Barbados and Section 38 (5) of the Financial Management and Audit Act, 2007 - 11, I forward for laying before the House of Assembly my Report of the examination of the accounts of the Ministries and Departments of Government, and of other financial statements and accounts required to be audited by me in respect of the financial year ended March 31, 2016.

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

Yours faithfully,

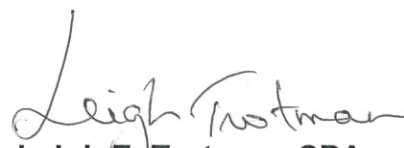

Leigh E. Trotman, CPA
Auditor General

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Report of the Auditor General 2016

Introductory Comments

This Report for the year ended December 31, 2016 has been prepared for submission to the Parliament of Barbados. The Report is a summary of work conducted by my Office in 2016 and the information contained is submitted to Parliament for its consideration. It includes matters arising from audits of, and information obtained from, a number of ministries, departments and other state agencies. The observations in the Report are selective and are considered to be of significance.

2. The majority of the audit work conducted by the Office consisted of reviews of internal controls and accounting records of Government agencies. These audits have been aimed at identifying breaches in Government's financial system, with a view of reporting these matters to public service managers, in order to bring about improvement in procedures and practices. It should be noted that all audit findings are discussed with the appropriate agencies, and their comments are sought before the finalization of the Report. This is in an effort to obtain confirmation of the facts and figures stated in the observations. Where appropriate, the responses from the audited entities are included in the Report. In addition to the financial audits, the Office is also involved in conducting operational audits. These audits look at the operational efficiency and effectiveness of Government programs.

3. While there has generally been good cooperation by the agencies that are being audited, there were instances in which the level of cooperation coming from some agencies was not up to the required standard. All public expenditure and activities of state agencies are subject to scrutiny, so that officers need to prepare for audit, and



also to prepare follow up information when requested, as this is a vital part of the accountability process of Government.

4. Our findings indicate that ten (10) years after Government has changed from the cash to accrual basis of accounting, there is still a major challenge in providing comprehensive and accurate financial information in the financial statements, thus ensuring that these statements comply with the International Public Sector Accounting Standards (IPSAS) to which Government subscribes. There is a need for external assistance to state agencies if there is to be substantial improvement.

5. The audits of the accounts of numerous agencies are in arrears and this situation is not improving. This is unfortunate since the present economic conditions require the availability of up-to-date information for decision making, as well as to ensure that Government assets and liabilities are accounted for, and its operations conducted in an efficient manner.

Acknowledgements

6. I would like to thank members of staff for their support, as well as the relevant officers from the audited bodies for their cooperation, as I look forward to a productive 2017.

Leigh E. Trotman, CPA
Auditor General

April 12, 2017



CHAPTER 1

General Issues

Introduction

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

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

- 1.2** The Auditor General is also required to prepare and deliver an audit opinion on the financial statements of the Government which are prepared by the Accountant General in accordance with Section 36 (1) C. The statements produced by the Accountant General represent the activities of ministries and departments. The financial activities of other state agencies such as statutory boards and companies are reported separately.
- 1.3** The Audit Office has a broad mandate for conducting audits on Government agencies. This mandate is derived from the Constitution of Barbados, and the Financial Management and Audit Act. Section 113 (2) of the Constitution requires the Audit Office to audit the accounts of the Supreme Court, the Senate, the House of Assembly and all departments and offices of the Government annually.



- 1.4 In addition, the Auditor General in accordance with Section 113 (2A) may on his own initiative carry out examinations into the financial management of any state agency, including the efficiency and effectiveness of the use of their resources in discharging their functions.
- 1.5 The Audit Office is therefore involved in three (3) types of audits. One type (Compliance Audit) involves verifying whether the financial rules and other laws and procedures are adhered to in respect of financial transactions. Another type (Financial Audit) involves the verification and accuracy of the figures reported in the Financial Statements. The third type (Value-for-Money or Performance Audit) focuses on whether there was efficiency and effectiveness in the use of resources. This latter type of audit assesses the management and operational issues facing an organization or any of its programs.
- 1.6 This report is divided into five (5) chapters. The second chapter consists of an analysis of the financial statements of the Government presented by the Accountant General's Report. This chapter highlights the continuing challenges faced by the Treasury in preparing the accounts of the Government on an accrual basis. Because of the absence of supporting schedules for assets and receivables listed on the financial statement along with omissions observed, I have had to issue an adverse opinion on the accounts of the Government.
- 1.7 Chapter 3 of the Report consists of a section on general concerns, along with a review of the Extension to the Arch Hall Fire Station, and the audit of the Barbados Revenue Authority (BRA). An audit of the Student Revolving Loan Fund was also undertaken but this will be issued as a separate report.



- 1.8** Chapter 4 of the Report consists of the results of audits of statutory boards, some of which were conducted by the Office of the Auditor General, and others by private sector auditors. The main challenges in respect of these audits are the large number of agencies whose accounts are not up to date. This is a long standing matter that has not been improving.
- 1.9** Chapter 5 consists of follow-up reports on a number of issues raised in previous audit reports. This is being done in an effort to keep Parliament apprised of the action taken by state enterprise in relation to the matters highlighted by the Audit Office.

Staffing

- 1.10** The Office has been experiencing challenges in having an adequate staff complement for a number of years and there was no improvement in 2016. The Office has an allocation of thirty-nine (39) posts of Auditor I/II. Of this amount twenty-eight (28) are presently not occupied; that is, either the posts are vacant or the substantive holders are acting in other positions within the public service. This is a substantial number that significantly limits the ability of the Office to adequately carry out its mandate. The impact includes a difficulty in auditing all ministries and departments as required by the law, and a backlog of the audits of some statutory bodies. The auditing of these agencies provides the boards and the Government with reasonable assurance that the financial activities carried out were in compliance with the Financial Rules and other regulations, and that the amounts reported in the financial statements were fairly stated.



- 1.11** The obvious solution to the staffing issue is for the Office to be able to recruit its own staff. This practice occurs in many audit offices around the world, and is considered as the standard by the international agency responsible for Audit Offices, namely the International Organization of Supreme Audit Institutions (INTOSAI). As I indicated in previous reports, an Audit Office should be independent of agencies it audits and should not be relying on these bodies for resources.

Audit of the Accounts of the Office

- 1.12** The audit of the Accounts of the Office for the financial year ended March 31, 2016 was conducted by auditors from the private sector, and forms a part of this Report. The accounts were given an unqualified opinion.

Attendance at Public Accounts Committee Meetings

- 1.13** The Auditor General and selected staff were in attendance at a number of Public Accounts Committee meetings during 2016. The major focus of these meetings was the examination of issues pertaining to contractual arrangements of the National Housing Corporation High Rise Projects at the Grotto and Valerie, St. Michael.

Office Activities

- 1.14** Audit Officers attended a number of local and regional workshops during the year. The attendance of staff at these events facilitates the sharing of knowledge and experience which enhances the capabilities of staff and the operations of the Office in general. Workshops and other training activities attended included the following:-



- (a) Twelve officers from the Office attended an Inter-American Development Bank (IDB) sponsored workshop on *International Public Sector Accounting Standards (IPSAS)* during the period February 22 – 24, 2016. The objective of the workshop was to provide a greater understanding on selected standards that were of concern to the Office and officers in the Treasury.
- (b) The Auditor General attended a workshop in Nassau, the Bahamas, on *Strengthening Public Financial Reporting and Accountability*. This workshop was held during the period April 12 – 14, 2016. The workshop focused on the latest developments in public financial accounting and reporting globally and in the Caribbean. Attendees shared experiences about financial reforms and examined challenges facing the Caribbean region. This workshop was an initiative of the Institute of Chartered Accountants of the Caribbean, the International Federation of Accountants and the World Bank.
- (c) The Auditor General attended a Caribbean Organization of Supreme Audit Institutions (CAROSAI) sponsored workshop in Guyana during the period July 13 – 15, 2016. The overall aim of the workshop was to improve the ability of audit offices in the region to audit capital projects. It also aimed to equip parliamentarians present with the tools to exercise a more effective budgetary review.



- (d) A number of auditors attended a workshop held by the Training Administration Division during the period November 7 – 11, 2016. The topic of this workshop was *Enhancing Financial Performance*.

1.15 The Office is continually seeking to provide opportunities to upgrade the knowledge and skills of its officers and is currently updating its training programs, several of which have been scheduled for 2017.



CHAPTER 2

Analysis of Government Financial Statements

The financial statements of Government are prepared by the Office of the Accountant General (the Treasury Department) in accordance with Section 22 (2) of the Financial Management and Audit Act (FMAA), 2007-11. This Act requires the Accountant General to submit financial statements to the Auditor General within four (4) months after the close of the each financial year. The financial statements for the financial year ended March 31, 2016 were submitted on September 19, 2016. This was some forty-nine (49) days after it was due. The Treasury has in the past submitted the financial statements on a timely basis and it is hoped that this occurrence is not part of the trend of late submission of statements by other state agencies. In any event the accounts of the Government rather than being submitted for audit four (4) months after the financial year should actually be audited by this time. This is because of the need for up to date information by decision makers.

Audit Mandate and Objective

- 2.2** In accordance with the provisions of Part IV, Section 36, of the Financial Management and Audit Act (FMAA), 2007-11, the Barbados Audit Office conducted the audit of the accounts of the Government of Barbados, which were prepared by the Accountant General, for the financial year ended March 31, 2016.



- 2.3 The objective of the audit was to express an opinion as to whether:
- the financial statements presented by the Accountant General gave a true and fair view, in all material respects, of the financial position of the Government of Barbados;
 - the appropriate internal control systems existed and were adhered to; and
 - the financial statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS).

Methodology

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

Responsibilities of the Accountant General

- 2.5 The Accountant General is responsible for providing Parliament with financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS). These include related notes and schedules. To prepare financial statements in accordance with IPSAS, the Accountant General is required to make judgements, estimates and



assumptions with regard to the application of accounting policies to the reporting of assets, liabilities, revenue and expenses. These assumptions should be made available to the auditors.

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

Auditor Responsibility

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



audit is designed to gain reasonable, but not absolute, assurance that the financial statements are true from material misstatements. The auditor adds errors discovered and makes an assessment as to whether they would, in aggregate, cause the financial balances to be materially misstated.

- 2.10** The audit procedures selected depend on the auditor's judgement. The internal controls relevant to the preparation of the financial statements are considered in order to design suitable audit procedures.
- 2.11** The audit also includes evaluating the appropriate application of accounting estimates in the preparation of the financial statements. All these above factors have been considered in carrying out this audit on the financial statements of the Government.

Scope of Government's Financial Statements

- 2.12** The Government of Barbados has adopted the International Public Sector Accounting Standards (IPSAS), which require the presentation of the financial statements on an accrual basis. Under these standards the accounts of the Government should include financial activities of ministries, departments and government owned and controlled entities.
- 2.13** Government's financial statements, compiled by the Accountant General's Department (the Treasury), do not represent all entities owned and controlled by Government. They encompass all Ministries and Departments, and exclude statutory boards and Government owned companies; these agencies report the results of their operations separately. It should however be noted that in order to be compliant with



the accounting standards, there should have been a consolidation of the accounts of Ministries, Departments and all entities which are controlled by Government and receive budget support.

2.14 The financial statements presented by the Treasury and examined by my Office were as follows:

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

2.15 In summary, the statements of accounts as presented for 2016 do not fully comply with the accrual IPSAS framework.

Analysis of Financial Statements

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



Revenue

- 2.17** The overall revenue for the year totalled \$2.56 billion, which was \$136.89 million more than was collected in the previous financial year. There was an increase in revenue of \$254 million derived specifically from taxation, with the main contributing factors being increases in goods and services (\$67 million), income from profits (\$57 million), and property taxes (\$23 million). The increases were offset by decreases. In respect of non-tax revenue, this component declined by \$117 million with the main items which showed decline being special receipts (\$54 million) and grants income (\$49.4 million).
- 2.18** It should be noted that the actual revenue collected was less than the revised budget amount by \$109 million. A shortfall in the collection of non-tax revenue was the main contributing factor in the Government not meeting its forecast.

Annual Revenue

	Approved Estimates \$	Revised Estimates \$	Actual \$	Change (Incr)/Decr \$
Revenue	2,555.6	2,687.1	2,582.3	104.8
Taxation	2,354.4	2,417.6	2,394.1	23.5
Non Tax Revenue	201.1	251.0	165.6	85.4
Annex Revenue	23.7	18.5	22.6	(4.1)



Expenditure

- 2.19** Total expenditure for the financial year was \$3.344 billion, which was \$201 million more than in the previous financial year. The major contributing factors to this increase were goods and services (\$48 million), loss on investment (\$35 million) and grants (\$111 million). The expenditure recorded was \$137 million less than the revised budget amount.

Deficit

- 2.20** The Financial statements reported a deficit of \$672.5 million, as compared with the deficit of \$697.67 million for the previous year. This deficit was \$34 million lower than forecasted in the revised budget. As I indicated in previous reports, the deficit has been high considering the size of Government's revenue. It is Government's stated policy to reduce the deficit and in order to do so revenue needs to increase, expenditure needs to fall or some positive adjustments in both must occur concurrently.

Annual Deficits
\$ Millions

Year	2012	2013	2014	2015	2016
Amount	\$382	\$826	\$982	\$697	\$762

- 2.21** It should be noted that the Government's revenue has averaged \$2.5 billion over the past ten (10) years, while expenditure has averaged \$3.083 billion. Various attempts have been made to increase revenue;



however, while individual revenue items have increased, overall revenue has remained flat over the period. This situation has resulted in the accumulation of large annual deficits, which have increased the national debt and resulted in large annual interest payments. These large interest payments result in less funds being available to supply goods and services and also contribute to Government's difficulty in paying refunds and reducing outstanding arrears due to creditors. For the 2015/16 financial year the interest payments accounted for 25.6 % of revenue collected.

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

Year	2012	2013	2014	2015	2016	Aggregate
	\$	\$	\$	\$	\$	
Revenue	2,623,402,645	2,448,620,515	2,339,512,136	2,446,375,408	2,582,256,597	12,440,167,301
Expenditures	3,006,152,562	3,274,721,140	3,322,374,971	3,144,046,963	3,344,852,702	16,092,148,338
Deficit	382,749,917	826,100,625	(982,862,835)	(697,671,555)	(762,596,105)	(3,651,981,037)

Statement of Government's Financial Position

Notes to the Financial Statements

- 2.22** The notes to the financial statements form an integral part of their presentation, as they provide users with the necessary explanations and additional information they require to gain an adequate understanding of the statements. Several issues were observed in relation to the presentation of the notes to the financial statements as follows:-



Risk

- 2.23** In recent times the Government has relied heavily on short term borrowing for financing and, given its high debt portfolio, is exposed to risks associated with fluctuations in interest rate. It should therefore manage its existing debt portfolio to achieve the lowest debt costs within specified risk parameter guidelines. The notes to the financial statements did not contain enough information on the risks facing the Government and how these risks were being managed.

Equity Investments

- 2.24** The financial statements recognize equity investments which total \$378,696,172. However, further disclosures as to the method of recognition of these investments should have been included in the notes. In the absence of such disclosure, it could not be determined whether these assets were recorded at the lower of cost or fair value, as required by the accounting policies stated in the Financial Statements. Given the large values of these investments, there is a high risk that these figures have been misstated.

Joint Ventures

- 2.25** The accounting standards require that Government make certain disclosures in relation to any interest in any Joint Venture which it is involved in. One venture was recorded, and this was in relation to Leeward Islands Air Transport (LIAT), in which Government has an investment totalling \$144,658,333, as stated in the Financial Statements. However the financial statements have failed to disclose the following as required by IPSAS 8:



- (i) The contingent liabilities/assets that the Government has incurred in relation to its interests in the joint venture, and its share in any contingent liabilities that have been incurred jointly with other venturers; and
- (ii) The method used to recognize its interests in jointly controlled entities.

Investment Property

2.26 The Financial Statements have recognized a total of \$277,534 as rental income from buildings under the aegis of the Ministry of Housing and Lands. This indicates that there are investment properties, which are owned by the Government of Barbados, whose values are not disclosed within the Financial Statements as required by IPSAS 16.

Paymaster Account

2.27 The amount reported for the Paymaster Account totalled \$358,823,531. This total comprised un-presented payable orders, pension cheques and un-cleared wire transfers. These are not credited directly to the Treasury Account (Bank) at the point of issue but only when cleared by the Central Bank of Barbados. The outstanding amounts therefore represent a liability that has to be honoured by the Government. This total is substantial and a note explaining this item should have been attached to the financial statements to allow users to better understand this aspect of the financial position of Government.



Need for Consolidation of Government Financial Statements

- 2.28** It is the intention of Government to consolidate the accounts of a number of state agencies into its financial statements. However, this has not occurred as at March 31st, 2016. These accounts should have been consolidated as required by International Public Sector Accounting Standards (IPSAS).
- 2.29** Many of these agencies have large outstanding commitments such as loans and other payables, which could make a significant difference to the overall picture of Government's financial situation, if the consolidation were to take place.
- 2.30** Information was obtained on 33 agencies, which revealed combined liabilities (including Pending Legal Obligations) of \$1.43 billion. This is a significant figure, and the absence of information on the remainder of the agencies surveyed indicates that the figure, and therefore the potential impact on the public finances, could be even greater.
- 2.31** A number of large entities (such as those listed below) were among the agencies which did not submit information as requested:
- Barbados Agricultural Management Company
 - Barbados Water Authority
 - National Housing Corporation
 - Sanitation Service Authority



- 2.32** The information provided points to large outstanding liabilities which need to be monitored overtime, and which, in many instances, could ultimately be the direct responsibility of the state.
- 2.33** It also serves to confirm how the absence of consolidated financial statements could result in the Government, the public and other stakeholders not having a comprehensive view of the situation facing the public finances which, in my view, is vital for decision making purposes.
- 2.34** The results of the survey can be found in the Appendix 2.

Contingent Liabilities

- 2.35** Rule 229 (4) of the Financial Management and Audit (Financial) Rules, 2011 requires that the Accountant General report on the outstanding cost of contracts for services or supplies as contingent liabilities. During the year under review such outstanding payments were not disclosed in the notes to the Financial Statements as required.
- 2.36** However there was a disclosure of pending law-suits on the Government of \$117,933,081.25 as required by IPSAS 19:100.

Provision for Bad Debts

- 2.37** Government disclosure on bad debts was not in accordance with IPSAS 19, which requires the following disclosures for each class of provision:
- (a) Additional provisions made in the period, including increases to existing provisions;



- (b) Amounts used (that is, incurred and charged against the provision) during the period; and
- (c) Unused amounts reversed during the period.

2.38 These disclosures were not made.

2.39 It was noted that bad debt expense was reported at \$7,000,000 within the Financial Statements. However, the basis for this amount could not be determined.

Whole of Government Reporting

2.40 The summary financial statements compiled by the Treasury does not comprise all entities owned and controlled by Government, rather they encompass all Ministries and Departments and exclude statutory boards and Government owned companies which report the results of their operations separately. It should however be noted that under IPSAS there should be a consolidation of the accounts of Ministries and Departments and all entities controlled by Government who are in receipt of budget support.

2.41 The implications of the failure to follow this procedure are that the total aggregate financial position of Government, including outstanding liabilities and assets, would not have been presented.



General Comments on Notes to the Financial Statements

2.42 The notes to the Financial Statements provide users with valuable information to make informed decisions. The lack of adequate disclosures can therefore affect the decision-making process. It is evident that the Treasury Department is in need of personnel with the expertise in specialized areas such as the application of International Public Sector Accounting Standards (IPSAS). Assistance in this area would be invaluable to the Department's ability to adequately prepare financial information in accordance with the standards.

2.43 It is recommended that:

- (a) *Significant amounts listed in the financial statements and accounting policies should be adequately disclosed and explained in the Notes attached. Also, departures from policies should be highlighted, ensuring that this aspect of the accounts is compliant with IPSAS and clearly understood by users.*
- (b) *The Government's contingent liabilities and assets should be disclosed as outlined in the Financial Rules 2011 and IPSAS 19. These disclosures would give users a better understanding of the financial risks and possible commitments facing the Government.*

**Accountant General's Response**

The Government of Barbados changed from the cash basis to the accrual basis of accounting on April 1, 2007. The financial statements did not comprise all entities owned and controlled by Government. It is noted that under International Public Sector Accounting Standards (IPSAS) there should be a consolidation of the accounts of Ministries and Departments and all entities controlled by Government which are in receipt of budget support. It is also noted that IPSAS offers Governments using the standards a period of three years in which to consolidate all of the accounts of the agencies forming the reporting entity. The consolidations project is ongoing and is at the stage where the following entities are being included in the pilot for financial statement consolidation with central Government's financial statements: Caribbean Broadcasting Corporation, Barbados Investment and Development Corporation and the entities under the Higher Education Unit (Barbados Community College, Erdiston College and the Samuel Jackman Prescod Polytechnic). The major challenge of consolidating all of the other Government owned entities would be having up to date audited financial statements of those entities.

Loans Receivable from Government Entities

- 2.44** The Financial Management and Audit Act, 2007-11, Section 35 requires that any loans made by Government shall be approved from a capital contribution by Parliament for that purpose. The Act also requires that these advances be secured by way of debenture mortgages, the terms of which should be determined by the Cabinet.



Unauthorised Advances

- 2.45** The Treasury reported \$326,231,304 in advances during the financial year. It should however be noted that \$213 million of this amount represented debt obligations taken over by the Government of Barbados on behalf of the Barbados Agricultural Management Company Ltd. These amounts are not advances and should not be reported as such. There was no evidence provided that the remaining \$113 was made from any capital appropriation approved by Parliament as is required.

Other Outstanding Loans

- 2.46** The Financial Management and Audit Act also indicates that a contractual agreement should be in place for any advances owed. However, contractual agreements were not in place for some of these advances. In addition, some material advances have been owed for a number of years, and no repayments or (in some cases) insignificant repayments have been received. The cumulative advances outstanding as at March 31, 2016 totaled \$983,938,912. Further information on some of these advances is presented below:

Barbados Tourism Investment Inc. (BTII)

- 2.47** The Government made a number of advances to the Barbados Tourism Investment Incorporation (BTII) over the years. Amounts outstanding were reported in the Accountant General's Financial Statements (Note 11) as \$141,500,000 with accrued interest as \$19,351,206. As at March 31, 2016 a formal contract still did not exist between the Government of Barbados



and the Barbados Tourism Investment Incorporation (BTII) for loans made to that institution. No repayments were received from the BTII during the year under review. This amount has been recorded as owing within the accounting system since the Financial Year ending March 31, 2009. No further information was produced to verify the status of the BTII receivables which had been reduced by \$97,885,949 in July 2011. The Audit Office cannot verify the accuracy of this account since no adequate information was made available for these transactions.

Small Hotel Investment Funds

- 2.48** In April 2007 an agreement was signed between Government and the Small Business Investment Fund for a loan of \$28,000,000 with annual interest at a rate of 2.5%. This loan was to be used for the Small Hotel Group Refurbishing Scheme. The terms of the agreement required that the repayment of the loan commence December 31, 2010. As at March 31, 2016 no payment had been made by the Small Business Investment Fund in settlement of the debt, for which the principal and interest due totalled \$36,426,796.

Four Seasons Development Project

- 2.49** The Government of Barbados guaranteed a loan for \$120,000,000 in respect of the Four Seasons Development project during the financial year 2011/2012. This guaranteed debt was called during the financial year 2013/2014 by the bankers. The guarantee and the outstanding interest which totalled \$124,329,766 were paid by Government through its holding company, Clearwater Bay. This amount was subsequently brought to book



in the accounts of the Treasury as an account receivable. There has been no movement on this receivable account for the past four (4) years. There is no information available on whether there might be a need to write down this receivable or when or how this amount will be repaid.

Rural Development Commission

- 2.50** The Rural Development Commission's liabilities to Government totalled \$6,400,000 as at March 31, 2016. No repayments have been noted on the account. This amount was owed from the Financial Year ending March 31, 2012.

Sanitation Service Authority

- 2.51** The Sanitation Service Authority owes Government a total of \$4,257,610 as at March 31, 2016. No repayments have been noted on this account. This amount was owed from the Financial Year ending March 31, 2013.

Needham's Point Ltd

- 2.52** During the financial year 2004/2005 an amount of \$4,666,781 was advanced to Needham's Point Holdings Limited (a Government owned company) to facilitate the construction of the Hilton Hotel. The agreement was signed by the parties on June 23, 2005. The loans carried an interest rate of 2.5% on the reducing balance. As at March 31, 2016, a total of \$6,023,283 inclusive of interest due was owed by Needham's Point



Holdings to the Government. The Company has so far failed to make payment toward the loan principal. In this regard, no evidence was submitted for audit inspection to indicate that efforts have been made to recover the outstanding debt.

Assets

Accommodation Advances

- 2.53** Public officers are granted advances to pay for accommodation when travelling on overseas business on behalf of the Crown. These amounts are initially recorded in an Accommodation Advance account, and later brought to account as expenses when expenditure statements are provided by officers on return. The accommodation advance account reported a total balance of \$1,800,374 as at March 2016. This figure included a number of accounts, with a total balance of \$649,525, on which no activity occurred during the financial year. The dormancy of these accounts suggests that not all expenses have been reported when officers returned from overseas travel. As a result, expenses are understated and the asset Accommodation Advances overstated. There are a number of transactions in these accounts that need to be investigated and relevant corrective action taken to bring them to account correctly.



Sinking Funds

- 2.54** The Sinking Funds represent amounts that Government has set aside to assist with the repayment of various debts such as Treasury Notes and Debentures. Some of these funds are invested while a part is kept in cash. The general ledger indicated a balance of \$688,127,033 as the value of the Sinking Funds as at March 31, 2016. However, no statements which supported the sinking fund cash balances of \$90,399,362, was provided for audit inspection. The total Sinking Fund is comprised as follows:

Sub-Item Account No:	Details	Amount \$
SLD 100	Treasury Notes	341,772,000.15
SFC 100	Sinking Funds (Cash)	90,399,362.87
SFF 100	Foreign Debentures	255,955,670.00
		688,127,033.02

- 2.55** Note 15 of the Financial Statements indicated that the market value of the Sinking Fund assets was \$619,376,004. However, confirmation responses from the Central Bank indicated the total as \$599,278,113, a variance of \$20,097,891.

Demolished and Derelict Buildings

- 2.56** Some Government buildings were either demolished or categorized as derelict, and should therefore have been removed from the Fixed Assets



Account. However, these buildings have remained on the Account; hence the reported total of Fixed Assets is misstated in this regard. This issue was noted in the previous audit report but so far no action has been taken to correct the omission. Examples are listed below:

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

Other Capital Assets

2.57 Other Capital Assets shown on the face of the financial statements totalled \$1,624,344,106 net of depreciation. These assets are also included in the Assets Management Module sub-ledger of SmartStream. However, the balance of this sub-ledger was \$989,283,545, a significant variance of \$635,060,561. As a result, the total within the Financial Statements could not be verified.

Asset Policy not Adhered to

2.58 The International Public Sector Accounting Standards (IPSAS) allow a transition period of three to five years for an entity to account for all its capital assets. In accordance with Government policy, these should include road networks, bridges and traffic management systems. However, these assets are not included in the Financial Statements, with the result that Statements are not in compliance with the standards in this regard.



Assets under Construction

- 2.59** 'Assets under Construction', which represents capital assets not completed, increased to \$322,534,741 at year end from a total of \$288,213,644 in the previous year, an increase of \$34,321,097. It was however observed that the assets under construction are not transferred to the Fixed Assets Account when construction activity is completed. This omission not only prevents these assets from being correctly classified, it also prevents them from being depreciated in accordance with the applicable regulations.

Bank and Cash

Bank Accounts

- 2.60** There are a number of bank accounts which carry credit balances in the general ledger, an indication that these accounts are in overdraft. Financial Rule 91 requires that bank accounts of Government entities should only be in overdraft by authorization of the House of Assembly. In relation to the bank account which the Treasury Department holds with the First Caribbean International Bank, it was stated that such permission had not been received. However, no information was presented to indicate that permission had been granted for any of the other accounts. The affected agencies should be asked to account for these breaches. Examples were as follows:-



Account Number	Details of Account	Amount BD\$
Bank Accounts (602)		
19 112 1310 602 11602110 BTR002	First Caribbean International Bank	(8,482,047)
19 112 1310 602 11602120 OE016	Embassy of Brazil	(87,468)
19 272 0642 602 11602200 BSS642	Alma Parris Memorial Secondary School	(48,891)
19 272 0645 602 11602200 BSS645	Combermere School	(53,705)
19 272 0660 601 11602200 BSS660	St. Michael's School	(58,987)
		(8,731,098)

Dishonoured Cheques

- 2.61** Dishonoured cheques originating from departments which collect small amounts of revenue are brought to account in the Sundry General (Receivable) Account (SAC 621 SRS200). This account in the general ledger carried a balance of \$349,972 at March 31, 2016. There was however no sub-ledger identifying the entities to which these amounts should be traced. The absence of a sub-ledger makes it difficult to determine which departments are responsible for the dishonoured cheques that make up the balance in the account, and this can impede the collection effort.



Incorrect Classification of Accounts

2.62 There were a number of asset accounts with balances totalling \$4,323,694 which were incorrectly classified. These accounts carried credit balances instead of debit balances. Some examples are noted below:

- (a) A departmental cash account represents the amount of cash held within the department which has not yet been deposited to a bank. This account usually indicates a debit balance. However, the cash account of the Customs Department carries a credit balance of \$2,772,352.
- (b) Accounts receivable is an asset, and carries a debit balance. However some of these accounts carried credit balances, indicating that there were some recording errors which need to be corrected. The largest amount pertained to the Fair Trading Commission, with a credit balance of \$1,111,365.
- (c) An accommodation account should always carry a debit balance. However, some of these accounts carried credit balances, the most significant being a credit balance of \$70,468.98. This indicates that there was an error in the account which needs be investigated.
- (d) A Fixed Assets Account was seen to carry a credit balance of \$68,095 rather a debit balance. This error needs to be corrected.



General Comments on Assets

- 2.63** The total of loan receivables as indicated within the financial statements was \$389,232,438. There is no evidence that these funds are actively pursued for recovery. Some of these loan receivables have remained uncollected for a number of years.
- 2.64** It was indicated within the Instructions to Ministries and Departments at paragraph 7.14.4 that the allowance for bad and doubtful debts should be calculated based on specific debts which are not likely to be collected, as well as a general allowance based on a proportion of debts outstanding. There should be some analysis of the debt outstanding to Government and whether the loans and accounts receivable are indeed collectible.
- 2.65** The lack of confirmation of fixed asset balances, accounts receivable balances and cash balances, which are material to the financial statements, is a major concern. It should be noted that the total of receivables reflected in the Financial Statements amounted to \$1,147,925,273.
- 2.66** These omissions reduce the confidence which can be placed in the reported balances. The issues highlighted here have been drawn to the attention of the Accountant General on several occasions, yet no corrective action has been taken to ensure accuracy in the reporting of Government's financial information.
- 2.67** **It is recommended that:**
- (i)** *The Departments should ensure that all efforts are taken to pursue receivables for which they have responsibility.*



- (ii) *All asset balances should be verified as accurate, and all assets brought to account.*
- (iii) *Assets should be recorded and reported in compliance with IPSAS.*

Accountant General's Response:

It is recognized that overdrawn salaries, fixed assets and bank reconciliations have been outstanding issues which will take a while to resolve. With reference to overdrawn salaries and fixed assets, the quality of information submitted by ministries and departments is critical in addressing the issue of reconciliation of these accounts. One of the issues relating to bank reconciliations is inadequate information shown on the bank statements. Some of the narratives on the bank statements have made it difficult to match some transactions recorded in the Treasury Department's ledger with those recorded on the bank statements. Another factor contributing to the unreconciled differences is errors made during the process of manually checking off ledger entries against the bank statements. Other errors result from the bank statements showing incorrect amounts.

Report on Government Liabilities

- 2.68** In a number of instances the Audit was not provided with the relevant information for the verification of whether liabilities were correctly disclosed within the financial statements, in accordance with IPSAS 1.



Current and Long-term Liabilities

- 2.69** The financial statements show \$3,731,805,237 as short-term debt and \$8,636,438,848 as long-term debt. These classifications could not be verified as correct as a supporting aged debt schedule was not provided for audit inspection. It is important for stakeholders to know the portion of Government debt which is short term and that which is long term. This information will also have implications for the Treasury's management of cash during the year and should be properly disclosed.

Subsidiary Ledgers

- 2.70** There was no evidence provided to indicate that the General Ledger and the Subsidiary ledgers (CS-DRMS) for Government loans were reconciled to verify that the balances were correct. Therefore, the balances of the loan accounts could not be verified.
- 2.71** There was no evidence provided to show that the subsidiary ledgers, (CS-DRMS), were reconciled to the loan agencies' statements.
- 2.72** The balances of the loan accounts, which totalled \$12,368,244,085 as recorded in the Financial Statements, could not be verified, as the reconciliations between the general ledger and subsidiary ledgers were not presented for audit inspection.

**Accountant General's Response:**

CS-DRMS, the subsidiary ledger for Government loans, is maintained by the Debt Management Unit of the Ministry of Finance. It is agreed that CS-DRMS should be reconciled to the loan agencies' statements and the general ledger (SmartStream). This recommendation would be brought to the attention of the Debt Management Unit.

Commitment Fees

- 2.73** A commitment fee of 1% is charged to the undisbursed amount of approved loans. A total of USD \$850,755 was charged as commitment fees on some Caribbean Development Bank (CDB) loans for the period under review. There is a need to ensure that the relevant drawdowns on loans are made in a timely fashion to avoid the payment of these charges, from which no benefit is obtained.

Treasury Bills

- 2.74** The Financial Statements, Note 15, indicated the balance on Treasury Bills as \$2,910,150,000 at March 31, 2016. However, no subsidiary ledger was provided which identified the holders of these bills and the amounts invested. The total of this ledger should equal the amount indicated in the Financial Statements. However, as the ledger was not provided the above total could not be substantiated.



Unreconciled Liabilities

University of the West Indies

- 2.75** A request for third party information was submitted to the University of the West Indies for confirmation of the total of debt owed by the Government to this institution. It was indicated that a total of \$194,197,210 was recorded as owing as at March 31, 2016. However this liability was not reported within the Financial Statements.

Accountant General's Response:

There was no information submitted to the Treasury Department in relation to the \$194,197,210 liability to the University of the West Indies for it to be reported in the financial statements.

West Indies Shipping Corp (WISCO)

- 2.76** Twice yearly the Barbados Government pays the Caribbean Development Bank for a loan on behalf of the West Indies Shipping Corp (WISCO). The balance owed as at January 2016 as per the bank statement was EUR \$155,129. However this balance has not been included in the liabilities of Government, resulting in an understatement in this regard.

Accountant General's Response:

The omission of the liability relating to the West Indies Shipping Corp. (WISCO) loan would be investigated.



Employee Benefits not Accrued

- 2.77** International Public Sector Accounting Standards (IPSAS) 25, Employee Benefits, stipulates that unclaimed employees' benefits should be accrued. This includes both short term benefits, and long term benefits such as pension obligations. This category of liabilities was not brought to account in the Accountant General's Report as at March 31, 2016.

Incorrect Classification of Liabilities

- 2.78** There were a number of liability accounts, with balances totalling \$3,542,851, which were not correctly classified. Some examples are noted below:
- (i) When payments are requested from deposit accounts pertaining to ministries and departments (standard account code 810 and 815), the Treasury should ensure that the accounts specified contain enough funds to service the request. Such accounts should carry credit balances. However, there were instances where these accounts carried debit balances, suggesting that payments were made when funds were not available.
 - (ii) There were a number of accrual accounts (standard account code 890), which carried debit balances instead of credit balances. This suggests that more funds were paid from these accounts than were originally accrued. An excess of debit transactions (payments) would indicate that Government entities have been making these payments although there were not sufficient funds available in the accounts.



2.79 All of Government's liabilities were not reported fairly in the financial statements. In a number of instances, reconciliations were not completed to verify the accuracy of amounts reported.

2.80 It is recommended that:

- (a) *All efforts should be made to have the deposit accounts managed properly.*
- (b) *The Treasury should investigate general ledger and subsidiary ledger differences and make the necessary adjustments in its records to correctly reflect Government's liabilities.*
- (c) *Account balances should be substantiated where relevant, with supporting documentation such as subsidiary ledgers.*

Revenue Activities

Tax on Betting

2.81 Monthly reports from the Barbados Turf Club should be submitted to the Accountant General's Department to substantiate the payment of taxes arising from its betting activities. It was however observed that no monthly reports have been submitted, nor have payments been received on behalf of the Turf Club in relation to taxes due from betting, since May 2010. A reminder letter was forwarded to the Turf Club asking that this information be submitted on July 11, 2012. However no further follow up action has been taken.



- 2.82** The relevant information needs to be submitted to ensure that the correct amounts of revenue and receivables are recorded in this regard.

Expenses

Classification

- 2.83** A number of expense accounts carried credit balances totalling \$8,032,365 rather than debit balances. The most significant amount relates to operating expenses which totalled \$7,835,246. This issue should be investigated, as this could be an indication of a number of misstatements within these accounts.

Expenditure Statements

- 2.84** There are twenty-four (24) heads of ministries required to submit appropriation statements to the Auditor General's Office as mandated by the Financial Management and Audit Act section 22. However, only nine (9) ministries submitted statements as at October 30, 2016.

Internal Control Issues

Overview

- 2.85** Internal Controls are the various measures put in place by Ministries and Departments to ensure Government's revenues and assets are adequately protected. The Audit Office has made numerous



recommendations for internal control improvement in Government operations as a result of our annual audits. Unfortunately some of these recommendations are not acted upon and are repeated this financial year. One control that needs to be adhered to is the reconciliation of Government bank accounts. There is considerable risk to Government finances if these accounts are not properly reconciled. The possibilities for loss or misappropriation of funds in these Departments can be considered as high.

Local Bank Accounts

- 2.86** Bank reconciliation statements were not provided for a number of general ledger accounts which are the responsibility of the Treasury Department, with the result that their accuracy could not be verified. In one instance, relating to the Government's main bank account, the bank balance within the Financial Statements differed from the bank statement by \$73,406,717. This is a material difference which emphasizes the necessity for the bank reconciliation statements to be completed.

Uncleared Wire Transfers

- 2.87** The un-cleared wire transfers as indicated in the general ledger carried a total of \$322,145,508. However, no subsidiary ledger containing the details of each transfer was provided for audit inspection. Therefore, this balance could not be verified.



Unpresented Documentation

2.88 The Financial Management and Audit Act, Section 39, provides that the Auditor General should have access to the property of the audited body, and that every facility be given for carrying out audits. However, the following information was not submitted for audit inspection:

- (a) Reconciliation statements for accounts at the Central Bank,
- (b) Internal audit reports for the financial year,
- (c) Cost of differences of recorded stock in comparison with actual inspection,
- (d) List of accounts whose balances were transferred to the Consolidated Fund for the financial year 2015/2016,
- (e) A public debt aged analysis report,
- (f) A report which compares the funds approved by the Ministry of Finance and Economic Affairs for all Government entities with the actual expenditure for the financial year 2015/2016, and
- (g) Documentation to support payments made from the unclaimed moneys general ledger account.

General Comments

2.89 The inability to fully reconcile the ledger bank accounts to the bank statements indicates that there are weaknesses in the cash management process that affect its being accurately stated. The auditors have



continued to highlight its importance for several years, yet there has been little improvement to the situation.

2.90

It is recommended that:

- (a) *The Department must ensure that reconciliations are completed in a timely manner.*
- (b) *All documents are retained and properly filed to facilitate audit inspection.*
- (c) *Surprise inspections should be conducted, and record management of cheques and receipts must be improved.*

Audit Opinion

2.91

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

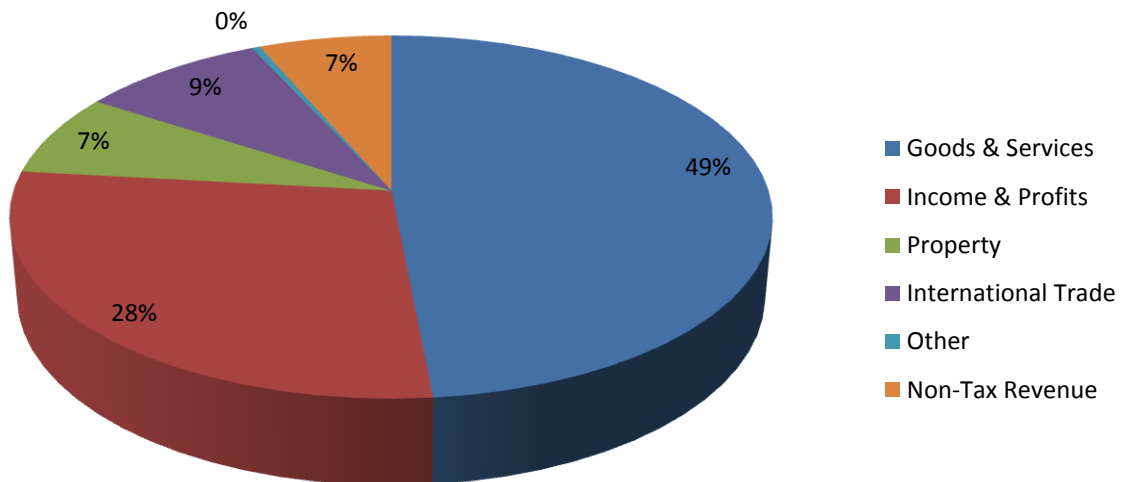
Graphical Presentation of Government Expenditure and Revenue

2.92

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

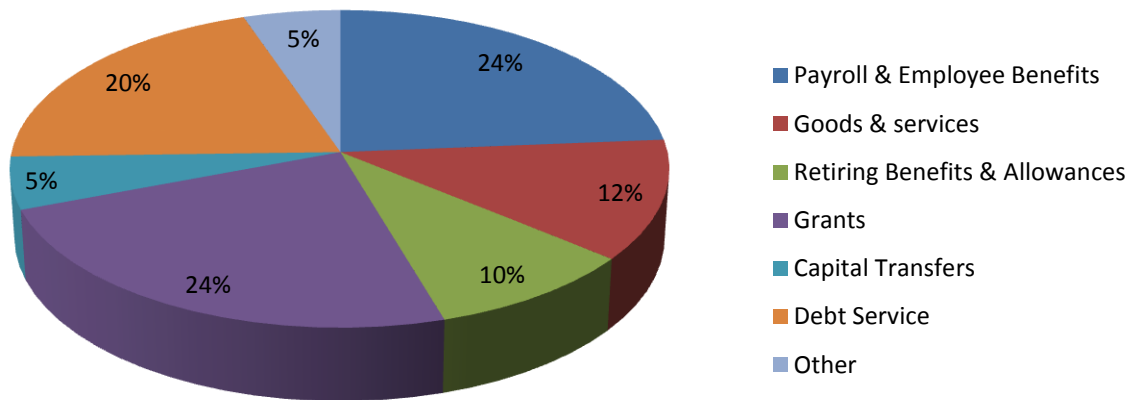


Total Revenue 2015 - 2016



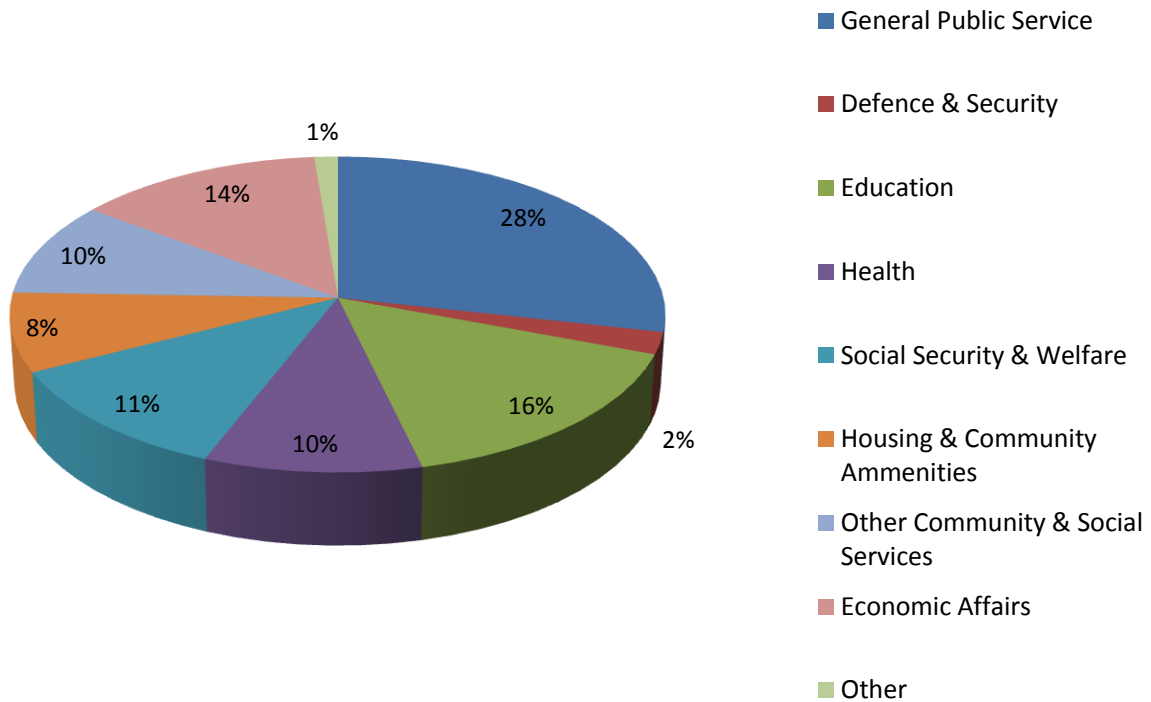


Total Expenditure 2015 - 2016





Expenditure by Functional Classification 2015 - 2016





CHAPTER 3

General Audit Concerns and Observations

This chapter highlights general concerns in respect of the non-compliance of some Ministries and Departments with statutes or administrative directives. It also includes their responses, when provided, to the concerns raised by this Office. It should be noted that audits were not completed for all Ministries and Departments as required because of a shortage of auditors. The Ministries/Departments audited were chosen based on their level of revenues and expenditures, complexity of operations and concerns from previous audits.

Audit Mandate

- 3.2** The audit of the accounts of the Ministries and Departments of Government for the Financial Year ended March 31, 2016 was conducted by the Barbados Audit Office in accordance with the provisions of Section 36 of the Financial Management and Audit Act (FMAA), 2007-11.
- 3.3** As determined by the FMAA, 2007-11, the onus for the proper discharge of financial administration and the preparation of financial statements rests with the Accounting Officers of the various Ministries and Departments. It is the Auditor General's responsibility to form an independent opinion on the accounts, based on the audits carried out.



Audit Purpose and Scope

3.4 The Barbados Audit Office is empowered to carry out audits so as to provide assurance that:

- Adequate safeguards exist for the collection of public moneys, and that the laws, directions or instructions relating to them have been duly observed;
- Expenditure is properly controlled, has been properly authorized and made for the purposes for which the funds have been appropriated by the Parliament;
- Immovable and movable property is properly procured, recorded, controlled and appropriately disposed of;
- Public monies are expended economically and efficiently; and
- The figures contained in the financial reports are correctly and properly stated.

General Issues

3.5 There are a number of general audit concerns in various Ministries and Departments and these are listed as follows:



Fixed Assets

- 3.6** It was observed that a number of ministries and departments were not keeping up-to-date fixed assets registers as required by the Financial Rules. These registers ensure that all assets purchased are recorded. The registers should be inspected by personnel from the ministries and departments and made available to the auditors to verify that the assets are accounted for. In addition, the register should contain the current value of assets, as this assists the auditor in verifying the values reported in the Financial Statements of the Government. This deficiency needs to be addressed by the relevant ministries and departments.

Overdrawn Salaries

- 3.7** The issue of overdrawn salaries is an area of concern. It would be expected that there would be instances of overpayment of salary from time to time. However, the large amount of some overpayments suggests that not enough action is being taken to minimize its occurrence. In the case of the Ministry of the Environment and Drainage, thirty-five (35) persons who were employed under the National Environmental Enhancement Program were overpaid salaries in excess of \$185,000.00. Many of these workers were retrenched and it is unlikely that many of these overpayments can be recovered. The Permanent Secretary in the Ministry has noted the following:



Payroll

Non-repayment of Overdrawn Salaries

The overpayment of wages in excess of \$185,000 to 35 persons who were employed with the National Environmental Enhancement Program is a situation which perhaps could have been avoided. When a large number of persons are taken on to work, the necessary systems, controls and staff should be put in place to keep track of their absences and sick leave with the information flowing to Accounts in a timely manner for wages to be stopped and any overpayments to be repaid in accordance with the 7th Schedule of the Financial Management and Audit (Financial) Rules, 2011. The information available on the amounts overpaid to the former workers will be sent to the Personnel Administration Division and the Accountant General so that these Departments will have a record for any repayments that could be made if any of these individuals are employed in the service again.

Currently we are trying to put controls in place for absences and sick leave to be recorded and wages stopped as required. In addition letters are being sent to officers who are overpaid for deductions to be made in accordance with the Financial Management and Audit (Financial) Rules, 2011.

The Ministry will seek to collect repayments where ever possible.



Incorrect Classification of Expenditure

- 3.8** There were several agencies which did not adequately account for their expenditure as it was recorded in the incorrect financial year. The Government of Barbados follows the accrual basis of accounting which requires expenditure to be recorded in the period goods were received or services provided. This contrasts with the previous system when transactions were only recorded when cash was received or paid out. This action prevents the proper matching of revenue and expenditure in a financial year.
- 3.9** Agencies which did not correctly classify expenditure in accordance with the requirements of accrual accounting included the Office of the Attorney General, the Ministry of Transport and Works, and the Ministry of Environment and Drainage.

Accommodation Advances

- 3.10** When public officers undertake overseas travel the funds are initially recorded as an advance, the actual amount recorded as an expense is made on the submission of the hotel bills when the officer returns. A review of the travel accommodation accounts for some ministries revealed that the accounts were poorly managed as the relevant adjustments were not being made. The impact of this omission was the understatement of travel expenses in the accounts. There are large balances in the advance accounts that need to be cleared out when the travel was completed. Travel officers should submit the hotel bills as this is the only way of determining the actual expense for the accommodation.



Insurance

- 3.11** The insurance of assets is a means of protection against financial loss, in that it provides for compensation in the event of loss of property through fire, theft or other (stated) means. Failure to insure assets therefore incurs the risk of Government having to provide the full replacement cost in the event of loss through the means noted above.
- 3.12** The Audit continues to encounter instances when ministries and/or departments fail to make sure that assets are consistently covered by insurance. Such was the case with the Ministry of Transport and Works, which paid lump sum amounts of \$200,000 and \$154,728 to an insurer to cover insurance for its vehicles and equipment. The funds were applied to some of the assets but not all, with the result that the insurance for some vehicles was not renewed. The Ministry was thus exposed to the risk of having to finance the full cost in case of accident. In addition, several vehicles were not revalued on an annual basis, which could result in higher insurance premiums being paid by the Ministry.

Information not Presented to Auditors

- 3.13** An important aspect of the auditing process is the collection of information through the inspection of documents and other processes. When the auditors do not have adequate access to information, the audit process is seriously impaired. It has been observed that ministries and departments do not adequately plan for the audit of their accounts. In addition they do not demonstrate a realisation of the importance of the audit process to Parliament and the general public. Accounting officers in ministries and



departments should ensure that audit officers have full access to required information at all times.

Contracts not Presented

- 3.14** It is a requirement of the Financial Rules that written contracts be entered into for expenditure exceeding \$50,000. In addition, tenders should be invited for the award of contracts exceeding \$200,000. These contracts should be made available to the Audit Office, to assist the auditor(s) in determining whether goods and services have been rendered, and payments made, in accordance with the contractual arrangements. Over the years the Audit has encountered situations where ministries and/or departments have not presented contracts as required for expenditure exceeding \$50,000. This situation was again manifested in the year under review, with respect to a number of ministries and departments, including the Office of the Attorney General, and the Ministry of Transport and Works.
- 3.15** In the case of the Attorney General, a total of \$296,662 was paid to a company for the period May 17, 2015 to May 16, 2016, indicating that the tendering process should have occurred before the award of the contract. There were also payments of \$175,662, \$68,920, and \$148,115 to other payees respectively, for which no contracts were presented.
- 3.16** In the case of the Ministry of Transport and Works, there were payments of \$843,301, \$1,912,492, and \$245,848 to three (3) companies respectively, among the payments for which no contracts were presented.



Barbados Revenue Authority

- 3.17** The Barbados Revenue Authority (hereafter referred to as “the Authority”) was established by the Barbados Revenue Authority Act, 2014. The Authority represents the merging of four (4) major revenue collectors, namely the Inland Revenue Department, the revenue component of the Barbados Licensing Authority, the Land Tax Department and the Value Added Tax Division. The Authority, which started its operations with effect from April 1, 2014, is governed by a Board which has responsibility for its policy, and the organization and administration of its activities. The Revenue Commissioner is responsible for executing the Board’s policy and managing the affairs of the Authority.

Auditor’s Responsibility and Objectives

- 3.18** Under the Revenue Authority Act, the Auditor General has the responsibility to audit the Authority’s annual accounts, to assess the reasonableness, fairness and reliability of the information submitted to him by the Authority, and to provide the Minister of Finance and the Authority with copies of this report.
- 3.19** The onus for the proper discharge of the financial administration and presentation of the financial statements rests on the Authority. It is the Auditor General’s responsibility to form an independent opinion on the accounts, based on the audit carried out by this Office.
- 3.20** An audit of the accounts of the Barbados Revenue Authority for the financial year April 1, 2015 to March 31, 2016 was conducted in accordance with the provisions of Section 21 (2) of the Barbados Revenue



Authority Act, 2014–1, the Financial Management and Audit Act, 2007–11 and the International Public Sector Accounting Standards (IPSAS). The main findings were as follows:

Summary of Main Audit Findings

- 3.21** An amount of \$4,177,000 was reported in the 2015-2016 financials as Opening Capital. This figure included an amount of \$217,000 which the Authority stated it could not justify. The auditors could therefore not vouch for the authenticity of this figure.

Barbados Revenue Authority Response:

The Authority is investigating this difference.

- 3.22** The Authority has not issued any shares. However, a figure for Share Capital was reported in the Statement of Changes in Equity section of the financial statements. This is misleading and should be corrected to reflect a more accurate assessment of the activities of the Fund.
- 3.23** In the 2014/15 financial year the financial statements consisted of combined totals for the operational activities of the Authority (Agency Activities) and the collection of Government's Revenue (Administered Activities). In 2015/16 these activities were separated, resulting in separate opening balances being prepared for the start of the financial year. For Agency Activities, assets of \$3,781,000 and liabilities of \$392,000 were reported, but no schedules or other documentation were presented in support of these balances.

**Barbados Revenue Authority Response:**

Note 3 will be amended to reflect the separation.

- 3.24** The total for Subvention Receivable and Grant Income were both understated by \$4,327,054, as the Authority failed to account for some of the funds it was allocated by the Ministry of Finance.

Barbados Revenue Authority Response:

Discussions are on-going with the Ministry of Finance to resolve this matter.

- 3.25** An asset register was not provided at the time of the audit to allow for the verification of \$327,000 reported as Fixed Assets. Accounts Payable were recorded on the face of the Statement of Financial Position for 2015-2016 as \$197,050, but the schedules submitted for audit verification revealed an amount of \$151,461. The difference of \$45,588 was not explained or supported.

Barbados Revenue Authority Response:

An asset register was provided at the exit meeting with the auditors. The Authority is in the process of implementing the SmartStream Asset Management Module which will manage the assets electronically and provide the necessary reports.



Detailed Audit Findings

Statement of Financial Performance

3.26 During the financial year 2015-2016, the Ministry of Finance authorised the disbursement of \$28,704,052 to the Authority. This amount should have been reported as Grant Income; however, the Authority reported a figure of \$24,376,998, hence, income was understated by \$4,327,054. Since the amount authorised was also classified as a receivable, Grant Receivable would also have been understated by \$4,327,054.

3.27 The Authority reported operating expenditure as \$23,737,507, which included prepayments and expenses related to the previous year. Under the accrual basis of accounts these amounts should not have been reported in the financial year being audited. As a result, expenses for the year were overstated by \$309,003.34.

3.28 *It is recommended that:*

- *The Authority should comply with the criteria of accrual accounting, which dictates that expenses should be brought to account in the period in which they were incurred.*

Change of Presentation

3.29 Financial statements were issued separately for Agency Activities and Administered Activities for the 2015-2016 financial year in contrast with the previous year (2014-2015), when one set of financials were presented for both activities. Comparative figures were provided but they were not noted in the financial statements, nor was the reason for the resulting



restatement of the previous year's figures disclosed. These actions should be noted in the financial statements for the benefit of users.

Barbados Revenue Authority Response:

Note 3 will be amended.

Depreciation

- 3.30** Note 2.4.2 to the financial statements indicated that depreciation is charged on a straight-line basis. In this regard, the Authority indicated an estimated useful life for different classes of property, plant and equipment for the purpose of depreciation. The range for useful life was given, but the specific rates used by the Authority were not given.

Barbados Revenue Authority Response:

Audit recommendation will be put in place. The Authority will specify the applicable rates for each category of asset.

Expenditure

Matters not Approved by the Board

- 3.31** The Barbados Revenue Authority Act 2014 Section 5(1) states that the Board shall be responsible for the policy, organisation and administration of the Authority. This includes the management of resources and



contracts, and the development of policies for the prudent and efficient management of the Authority. Therefore, it is expected that the Board would approve the funds required for the Financial Year and any unexpected expenses that may arise during the year.

3.32 There was no evidence provided to show that the annual budget and resulting significant expenditures were approved by the Board.

3.33 **It is recommended that:**

- *Based on the Authority's Act, the Board of the Barbados Revenue Authority should approve the annual estimates of expenditure and other expenditure not included in the estimates. The Board should approve all policies established by the Barbados Revenue Authority (for example the issuance of cellular phones and payment plans).*

Insurance

3.34 There were instances in which insurance premiums for the assets of the Authority were not renewed in a timely manner, resulting in periods in which there was no insurance coverage for vehicles. This situation poses risk if the assets were to be damaged or stolen. For example, Insurance Renewals were \$10,099.48 for computers, and \$1,677.12 for two vehicles. These payments were due on 2nd April 2015 and 15th January 2016 respectively, but payments were made on 31st December 2015 and 29th January 2016 respectively.



3.35

It is recommended that:

- *Insurance policies should be renewed on their respective anniversary dates to ensure the vehicles are covered for accident and injury at all times. The purpose of insurance is to reduce the risk to the entity.*

Barbados Revenue Authority Response:

The Authority will seek to ensure that insurance premiums are renewed on the anniversary dates which have been changed to coincide with the beginning of the financial year.

Follow-up on Prior Year Payroll Issues

3.36

In the Audit Report for 2015 a number of issues were raised in relation to the Authority's payroll. However, it was observed that no action was taken to address some of these issues. Examples are listed below:-

(i) Payment of Salaries

The Ministry of the Civil Service has approved salary ranges for posts within the Authority.

- (a) It was however observed that Audit Seniors were in receipt of fixed salaries, although no documentation was provided to support the authorisation of this practice. This group, grade G4, was provided with a range of \$75,518.76 - \$81,575.04; however, these officers were paid within this band at a fixed salary of \$75,518.76.



- (b) By this action the Authority established a fixed salary point within the range authorised by the Ministry of the Civil Service. However, this salary point could not be verified, as there was no authority provided in support of its establishment.
- (c) The employment letters issued to and signed by officers in this grade do not indicate that the officers are entitled to increments, whereas increments are being paid to officers in other grades.

3.37

It is recommended that:

- *The necessary action should be taken to have an approved Board policy indicating salary bands that are fixed and the movements between the bands.*
- *Employment letters should be amended to reflect the positions that are entitled to annual increments.*
- *Audit issues, once presented, should be addressed in a timely manner, to ensure such issues do not recur in subsequent years.*



Administered Activities (Revenue Collection)

Activities Pertaining to the Collection of Revenue

- 3.38** The Barbados Revenue Authority is a corporate body owed and established by the Government of Barbados under section 3(1) of the Barbados Revenue Authority Act 2014-1. The Authority has the responsibility for the enforcement and collection of duties, taxes, interest, penalties, fees and any amounts payable as per the specified enactments, and for transferring all amounts collected to the Consolidated Fund.
- 3.39** An audit was planned to verify the transactions and financial statements presented by the management of the Authority.

Summary of Findings for the Administered Activities

- 3.40** It was observed that:-
- a) An amount of \$19,685,699 related to refunds was brought forward from the bank accounts of some legacy agencies (agencies which have been amalgamated into the Revenue Authority) as at April 1, 2014. However, a list of taxpayers to whom these funds pertained was not furnished for audit verification. This matter was reported in 2015 but remains unresolved.
 - b) The net Tax Receivables recorded on the face of the financials was \$995,107,000. However, schedules were not submitted for the main components of this total, namely Value Added Tax, Income Tax, Corporation Tax and Consolidation Tax, which represented sixty-nine (69%) of the receivables.



- c) Highway Revenue Receivable was recorded as \$1,226 but schedules presented revealed a total of \$9,539,167. The Authority did not bring to account the difference of \$9,537,941 neither did they explain the failure to account for these receivables.
- d) Other Receivables were recorded on the face of the financials as \$234,614,000; however, no schedules or other documentation was presented for audit verification of this amount. The note to the financial statements referred to this amount as due from the Treasury to honour outstanding tax refunds.
- e) Opening balances on receivables could not be confirmed by the Audit as the Authority did not furnish any schedules or other documentation for the 2014-2015 year, which was restated.

Barbados Revenue Authority Response:

The Authority will seek to provide the Receivable schedules for the financial year 2014-2015.

- f) Total Liabilities, which included 'Due to Treasury', Tax Refunds Payable' and 'Deferred Revenue', were reported as \$1,240,186,000. No supporting schedules were provided in support of this figure.

Barbados Revenue Authority Response:

The Authority will provide the schedule.



- g) Income tax refunds of \$37 million and Corporation tax refunds of \$105.5 million were recorded in the notes as contingent liabilities. The Authority indicated that it could not verify these figures which were brought forward from previous years. These liabilities should be recorded on the face of the financials in accordance with the accounting principles of conservatism. The inability of the Authority to verify the refunds outstanding reveals a deficiency in its record keeping which should be urgently addressed.
- h) The Statement of Administered Revenue was reported as \$2,195,335,000. This figure could not be verified as the schedules provided totalled \$1,542,317,349, a difference of \$653,017,651.
- i) The Auditors also found that the individual items on the Statement of Administered Revenue was incorrectly summed to \$2,197,335.00 which differed by \$2,000,000 from the reported total.

Barbados Revenue Authority Response:

The Authority will contact your Office to verify the details totalling the \$1,542,317,349.

The total Administered Revenue is \$2,197,335. There is an apparent “typo” error and this will be corrected.

The Schedules supporting the Statement of Administered Revenue will be provided.



Statement of Financial Position

Cash and Bank

- 3.41** The total for Cash and Bank was reported as \$29,883,887 in the Statement of Financial Position. This comprised of Deposit Account Balance of \$14,155,323 and Refund Account Balance of \$15,728,564. The following issues pertained to this item on the Financial Statements:-

Deposit (Revenue) Bank Account

- 3.42** The Deposit (Revenue) Bank Account receives amounts collected at the Authority's offices but not deposited to the Consolidated Fund at the Treasury Department. The bank confirmation statement as well as the bank statement as at March 31, 2016 reported funds totalling \$482,815.69. On the other hand, the Authority reported \$14,155,323.39 in the financials. The difference of \$13,672,507.70 between the bank and the Authority's records was not reconciled. As a result the audit could not verify the balance on this account.
- 3.43** It was noted that revenue was being reported as net of bank charges. A review of four (4) months transactions revealed an amount of \$535,505.78 in these charges. The bank charges are essentially a cost of doing business and should be treated as an expense. There is no basis for treating bank charges in the same manner as an overpayment of taxes and a consequent reduction of Revenue. A bank charge is essentially an operating expense and should be reported separately as a collection expense. The current treatment of these charges results in an understatement of revenue and expenses.



Bank Refunds Account

3.44 The Accountant General transferred a total of \$190,067,773.52 to the Refunds bank account during 2015-2016. These funds were requested by the Authority. However, the Authority did not provide the audit with the subsidiary records to indicate the details of the application of the funds requested from the Treasury. The failure to substantiate the amounts requested for refunds is a breach of internal controls and exposed the account to the risk of being misused.

3.45 The accounting records indicated that Unreconciled Cash which, according to the Authority, represented total unpresented cheques, was recorded as \$26,751,789.51 as at March 31, 2016. However, the un-cleared cheques' listing, which gives a detailed list of unpresented cheques, totalled \$26,002,211.09. The figures from these two (2) sources should be the same. No explanation was given for the difference of \$749,578.42.

3.46 **It is recommended that:**

- *Provision should be made by the Authority to meet bank charges.*
- *As all funds in the Refunds Bank account represent amounts owed to taxpayers, a detailed list or subsidiary ledger of the names and amounts due to each taxpayer should be provided to allow for audit verification.*
- *The Refund Bank account should be used only for its intended purpose.*



- *The Authority should properly maintain the bank accounts and ensure that all related transactions are properly accounted for, so as to avoid the compromise of revenues collected, or the setting aside of Governments funds to cover tax refunds.*

Reverse Tax Credits

- 3.47** It was also noted that revenue was being reduced by the amounts paid out as reverse tax credits. Reverse tax credits do not represent an overpayment of taxes which would necessitate a reduction in revenue recorded. These credits are instead benefits given to taxpayers and should be recognized separately in the financial statements of the Government as expenses. The current reporting practice essentially results in an understatement of revenue and expenses.

Tax Receivables (Net)

- 3.48** Tax Receivables were reported as \$995,106,460 after deductions for Provision for Bad Debts. However, schedules were not provided to support tax types other than land tax, municipal solid waste tax and licensing.
- 3.49** No schedules were presented for the 2014-15 financial year to allow the Audit to verify the 2015-16 financial year opening balances. It was noted that the statements for the previous year were restated, even though this fact was not declared in the notes to the financials.



- 3.50** Licensing Receivables were reported as Highway Revenue of \$1,226. However, schedules were submitted to the Audit in the sum of \$9,539,167. No explanation was given by the Authority for the difference noted. Therefore, the Audit could not confirm the authenticity for licensing figures.

Other Receivables

- 3.51** Other Receivables were reported as \$234,614,453 on the Statement of Financial Position. The notes to the Statements referred to this amount as “Due from Treasury” to honour outstanding tax refunds. Receivables should relate to amounts due to Government from taxpayers. The Authority did not provide schedules to support the receivable figure. Therefore, Other Receivable balances could not be verified.

- 3.52** **It is recommended that:**

- *The Authority should ensure that supporting documentation is provided for all receivables.*

Aged Receivables Listing

- 3.53** An Aged Receivables listing is a critical management tool for estimating bad debt expense by classifying the Accounts Receivable of a business according to length of time they are outstanding, and then estimating the probability of non-collection for each category. The Authority does not have an aged receivables listing. The lack of such a listing prohibits the assessing of the age of the receivables to determine when it is necessary to write-off bad debts. This is especially important given that the Authority would have inherited outstanding receivables from its legacy agencies which may now be uncollectable.

**3.54 It is recommended that:**

- *An aged listing of receivables should be compiled.*

Liabilities

3.55 Liabilities were reported as \$1,240,185,977. However, schedules were not provided to support these liabilities, nor were the notes to the financials explanatory enough to allow readers to understand the liabilities. Hence, the audit could not verify the liabilities reported.

Refunds Payable

3.56 Note 13 to the financial statements indicated that Income and Corporation Tax refunds outstanding for the tax years prior to 2013 totalled \$37 million and \$105.5 million, respectively. These amounts have not been reflected on the face of the financial statements. In addition, Income Tax and Corporation Tax refunds outstanding for the years 2013 and 2014 were not reflected on the face of the financial statements nor their dollar values stated in Note 13. Therefore refunds reported were understated. The inability of the Authority to verify the refunds outstanding reveals a deficiency in its records which should be urgently addressed.

3.57 It is recommended that:

- *Liabilities should be brought to account.*



Statement of Administered Revenue

- 3.58** Note 5.1 to the financial statements indicated that revenue is recorded net of refunds. However, this policy was to a large extent not followed. Except for Taxes on Property, no refunds were taken into account on the Statement of Administered Revenue submitted to the Audit.

Licensing Revenue

- 3.59** The total recorded for Licensing Revenue in the schedules presented was \$74,358,448.17 while the amounts recorded in the Statement of Administered Revenue summed to \$73,100,897, a difference of \$1,257,551.17. Reconciliation of this difference was not provided, with the result that the Audit could not confirm the authenticity of the figures. Refer to **Table 2** below:

Licensing	\$
Motor Vehicles	53,902,546
Public Service Vehicles	8,245,255
Non-Tax Revenue - Highway Revenue	10,953,096
TOTAL	73,100,897

Taxes on Property

- 3.60** Revenue from Taxes on Property was reported as \$175,278,000; however, the billing schedule which represents taxes to be collected totalled \$232,965,529. The difference of \$57,687,529 was not explained.



3.61

It is recommended that:

- *Adequate documentation to support balances is presented for audit.*
- *Accounting policies stated in the notes to the financial statements are adhered to, so that revenue should be reported net of refunds.*
- *It should be disclosed in the notes that the revenue figure is inclusive of penalties and interest.*



Special Audit of the Extension to the Arch Hall Fire Station

Background

- 3.62** In January 2010, approval was granted for the extension to the Arch Hall Fire Station for the purpose of providing training facilities, and for use as an alternative Emergency Operations Centre for the Department of Emergency Management. This Project involves mainly the construction of buildings.
- 3.63** The project was publicly tendered during the months of August and September 2010, and a recommendation was made for the award of the contract. However, due to financial constraints, the Ministry of Home Affairs decided not to proceed with the Project at that time. The tender process was later restarted and tender notices were placed in the newspapers in August 2013.
- 3.64** The contract was awarded in November 2013, and actual construction commenced in January 2014 with an expected completion date of March 2015. However, completion of the Project has been delayed due to factors such as the need to carry out additional works, and late payments which, according to the contractor, impacted the procurement of materials and the scheduling of work, resulting in amendments to the completion dates. These factors have also led to substantial increases in costs. The contractor suspended works at the site from around July 12, 2016 due to the late payment of three (3) Certificates of Interim Progress/Payments. These Certificates have not been paid and work has not resumed as at February 7, 2017.



- 3.65** Payments for the Project are made from the budget of the Barbados Fire Service, but no funds were budgeted to meet expenditure arising from this project during the 2016-2017 Financial Year. Some funds had been provided as a result of the Ministry deliberately recording expenses that had not occurred, thus incurring a liability which would then be paid in a subsequent financial year, an accounting practice which is contrary to the Financial Rules. Notwithstanding this action, additional funding is required for the completion of the project. The Ministry of Home Affairs (the Ministry) indicated that it would seek Supplementary funding in order to complete the Project.

Reason for the Audit

- 3.66** The audit was requested by the Permanent Secretary, Ministry of Home Affairs, based on concerns over the increase in costs that were not approved by the Ministry.

Key Project Personnel

- 3.67** Whereas the construction work was performed by the contractor, the project was supervised, on behalf of the Ministry, by a Project Manager. The Ministry also engaged the services of four (4) consultants, namely an Architect, a Quantity Surveyor, a Structural/Civil Engineer and a Mechanical Engineer. The Permanent Secretary, as Accounting Officer in the Ministry, was the senior officer responsible for the project.



Audit Objective and Scope

- 3.68** The objective was to analyse the circumstances surrounding the cost increases of the Project and determine the extent to which these increases were approved in accordance with the required process.
- 3.69** The audit examined the following activities pertaining to the Arch Hall Extension Project for the period January 2010 to July 31, 2016:
- Tendering for the Project,
 - The execution of the contract; and
 - Payments to the contractor.
- 3.70** The audit did not seek to examine whether the value applied to additional works carried out was appropriate or whether these works were necessary.

Methodology

- 3.71** A meeting was held with the Permanent Secretary (the PS), Ministry of Home Affairs and other Ministry and Project Office personnel. Separate interviews were conducted with the Project Manager, the Contractor's representatives and the Consultants. A site visit was conducted which was attended by Project Office personnel, a representative from the Architect's Office, and representatives from the Contractor.
- 3.72** The audit was conducted in accordance with Section 36 (3) of the Financial Management and Audit Act, 2007-11 which states that the Auditor General may carry out examinations into the economical, efficient



and effective use of resources of any Ministry or Department or any other entity required to be audited by him.

Audit Findings

Summary of Findings

- 3.73** The contract for this Project was awarded for an amount of \$4.52 million. As at July 29, 2016 the Quantity Surveyor, employed by the Government, projected the final contract costs as \$8.13 million. This is an increase of \$3.61 million or approximately eighty percent (80%) of the original cost. A number of factors contributed to this increase, including changes in the scope, costs arising from extension of the time scheduled for the project, and interest as a result of delays in payments. See **Table 3** for the items representing the increases in costs.
- 3.74** The required approval process was not followed in relation to increases to the project costing \$2.79 million. This omission is linked to the failure of the Project Manager to seek approval for the majority of the variations incurred on the Project.
- 3.75** The recording of some expenses contravened Rule 177 of the Financial Management and Audit (Financial) Rules, 2011. This was as a result of expenses being accrued before work was carried out. This action resulted in the creation of a liability in the accounts of Government, which was paid in the subsequent financial year, thus avoiding the need to budget for additional funds for the work performed in the upcoming year, as required by the Rules.



Detailed Findings

Variations

- 3.76** According to the Projected Final Account dated July 29, 2016, it was estimated that on completion the project would cost \$8.13 million. This is \$3.61 million more than the contract sum. Examples of factors causing this cost variation were the construction of an Additional North Retaining Wall and Paved Areas at a cost of \$644,779 and Remedial Work to Existing Building at a cost of \$311,714 (please see **Table 3** for further information).
- 3.77** The variation figure of \$3.61 million also included an amount of \$60,036 representing interest charges for late payments. This left an amount of \$3.55 million which required this approval.

Importance of Consultation with the Permanent Secretary

- 3.78** It is imperative that the Permanent Secretary, as the Ministry's Accounting Officer, be alerted to, and ensures approval of, all relevant variations before the work is carried out. It is the Permanent Secretary who needs to ensure that relevant funds have been budgeted, as some variations invariably result in the need for additional funds. It should also be understood that approval of the Cabinet may not be granted for all variations, especially those which substantially change the scope of the project.

**3.79** The Audit found that:

- (i) only \$0.76 million, or just over 21% of the \$3.55 million, were submitted for, and received, the required prior approval by the Permanent Secretary (see Table 1);

Table 1: Variations Which Received Prior Approval by Permanent Secretary

Items	Amount (\$) Vat inclusive
Additional paving	384,873.60
Plastering of internal rooms	29,009.36
Signage	6,950.13
Remedial works	253,220.33
Gym/Meeting room on ground floor and access link between new and existing building at the 1st floor corridor	88,921.67
Total	\$ 762,975.09

- (ii) The remaining \$2.79 million, or nearly 79% of the applicable variations, has not received the required approval prior to work being undertaken;
- (iii) With the exception of Certificates 22 and 24, variations were not disclosed as a separate line item on the Certificates of Interim/Progress Payment, but were included in the line item 'Value of work executed and of materials and goods on/off site'. Consequently, the PS would have approved Certificates for payment which included amounts for variations which were not disclosed on the Certificates.



Audit Comment

- 3.80** It would have been helpful if the amount for variations were included on the Certificates as a separate line item as soon as they were incurred. This would have assisted the Permanent Secretary in managing and monitoring the increased costs of the project.

Causes

- 3.81** The Audit Office sought to determine why all applicable variations did not receive prior approval. For this purpose, documentation was reviewed and discussions were also held with the Project Manager and the consultants (the Architect, the Quantity Surveyor and the Engineers).
- 3.82** It was found that the problem was in large part related to a number of site instructions issued by technical personnel for variations before the necessary approval was obtained. This can be attributed to a failure by the Project Office, headed by the Project Manager, to ensure that the relevant procedures were followed.
- 3.83** Some of the site instructions on this project should have been submitted for approval before the work was performed.
- 3.84** However, in a response to a request from the PS for an explanation for the increased costs, the Project Manager stated that, "As the project progressed, a number of site instructions were issued ... that although necessary were inadvertently not all forwarded to the PS for approval".



- 3.85** In this regard, a number of factors indicate that the Project Office should have been aware of the site instructions and, therefore, in a position to take the relevant action. For example, documentation reviewed indicates that instructions issued by the consultants were copied to the Project Office. In addition, the consultants stated that all instructions were sent to the Project Office.

Audit Comment

- 3.86** This failure to have a large number of variations properly approved would have impacted on the ability of the Permanent Secretary, as the Accountant Officer, and the Senior Officer responsible for the project, to identify significant increases in project costs, especially since the variations were not being disclosed as such on the majority of payment certificates.
- 3.87** It would also have impacted on the Permanent Secretary's ability to recognise the resulting depletion of funds, and the need to seek Cabinet approval, as well as additional funding for the proposed variations, in a timely manner.

Project Meeting Decisions

- 3.88** As the key connecting link between the Permanent Secretary and the project, the Project Manager, and by extension the Project Office, held responsibility for ensuring that prior approval of the relevant variations was obtained before the work was carried out.



- 3.89** It should be noted that project meetings were held monthly from January 2014, with the exception of January 2015 and 2016. The last meeting seen in the file was in February 2016. These meetings were chaired by Project Office personnel and attended by personnel representing the Barbados Fire Service, the contractor and the consultants working on behalf of the Government.
- 3.90** The fact that the personnel from the Project Office chaired the site meetings and would have received any instructions issued by the Architect and Engineers placed the responsibility on the Project Office for ensuring that activities that would result in increased costs were approved beforehand by the relevant authorities. As stated in the process, requests for variations were to be passed through the Project Office to the Permanent Secretary for required action.

Late Payments

- 3.91** According to Clause 4.2(a) of the contract, payments should be made to the contractor within twenty-eight (28) days from the date of the Architect's Certificate. Where this stipulation is not followed, the contractor is entitled to charge interest at the discount rate of the Central Bank of Barbados plus five percent (5%).
- 3.92** As at July 21, 2016, twenty-eight (28) Certificates of Interim/Progress Payments had been issued, of which twenty-three (23) had been approved for payment and paid. However, twenty one (21) of these certificates were not paid within the timeframe required by the contract.



- 3.93** These late payments have resulted in interest charges totalling \$60,036, based on the Quantity Surveyor's Projected Final Account as at July 29, 2016.
- 3.94** Late payments have also been cited by both the contractor and the architect as a contributing factor to the extension of time on the project.
- 3.95** Ultimately, late payments have been cited as a major reason for the suspension of the project. In correspondence dated July 5, 2016, the contractor stated:
- *“The failure to settle Certificates No. 23, 25 and 26 has prohibited us from honouring our obligations. As a result, we have suffered loss and have been exposed to legal consequences as domestic subcontractors have not returned to the site and have threatened to take legal action against us.*
 - *Due to the above-mentioned late payments and their consequences, we now give official notice of our intention to exercise our right to suspend the performance of our obligations, pursuant to clause 4.4A of the contract, if payment Certificates numbers 23, 25 and 26 along with applicable interest are not settled in full within seven days of the date of this Notice.”*
- 3.96** The requested payments were not made, and the contractor suspended work on the project, in accordance with the notice given, around July 12, 2016.



Analysis of Late Payments

- 3.97** The Audit conducted an analysis of the timelines relating to the twenty-one (21) certificates that were paid late. This analysis was conducted in order to determine whether the Ministry (includes processing activities of the Project Office and the Barbados Fire Service) or the Accountant General's Department (Treasury) was responsible for the delays in the payment of the certificates.
- 3.98** The time taken by the Ministry to process the certificates for payment was reckoned from either the date the certificate was stamped as received, or the date the Project Manager referred the certificate to the Permanent Secretary for approval, to the date the processing was 'completed' by the Ministry. The time taken by the Treasury was reckoned from the completion of the Ministry's processing to the date the payment was made.
- 3.99** Except for a few instances in which it was difficult to determine when the twenty-eight (28) days allotted for payment began and ended, it was found that the payment of the certificates within the allotted time-period was hampered by delays in the transition of some certificates from the Project Office to the Ministry proper, and long processing periods in the Ministry and the Treasury.

Audit Comment

- 3.100** It is clear that late payments have been a major issue in this contract, which has resulted in extra costs, through factors such as charges for interest and extension of time on the project. Ultimately, late payments were a major reason cited for the suspension of operations. Based on the



analysis of certificates, both the Ministry and the Accountant General's Department have contributed to the delays in the late payments.

Project Review and Reporting

- 3.101** In projects like this which involve expenditure of several million dollars, project monitoring and review becomes a critical aspect of management. This monitoring and review process would have allowed for necessary consultation and action by decision makers.
- 3.102** Proper monitoring and reporting would have provided decision makers with an awareness of how the project was progressing, problems being encountered, potential variations and resultant cost increases, and the need for additional budgeting. This would have allowed for consultation with all the stakeholders before action took place.
- 3.103** While the Permanent Secretary, as the Accounting Officer, carried the chief responsibility for the monitoring of the project, the Project Manager was best positioned to monitor operational matters, which included details on project costs as well as the need for any adjustment to the scope of the project, and to provide the Permanent Secretary with the relevant information. The accounts section of the Fire Service, being responsible for the processing of the payment certificates, was ideally placed to monitor and report on the effect being exerted on the funds budgeted for the project.
- 3.104** The Audit found that failures in the monitoring and review process contributed to some of the challenges encountered in relation to this project. This process could have been enhanced by the Project Manager



alerting the Permanent Secretary to matters likely to result in any variations to the project before any site instructions were issued.

- 3.105** The process of monitoring and review could also have been improved if the variations were issued separately on the interim certificates, as this would have allowed the accounting staff to better monitor the budget of the project, and keep the Permanent Secretary abreast of any cost overruns.

Status Reports

- 3.106** It should be noted that Project Status Reports were prepared and submitted to the Permanent Secretary, Investment Division, Ministry of Finance and Economic Affairs. However, these Reports were not sent to the Permanent Secretary, Ministry of Home Affairs.
- 3.107** These reports would have kept the Permanent Secretary up-to-date with such matters as, budgeted and revised project costs, total expenditure to date, balance of expenditure remaining, progress of the project, problems encountered/issues to be resolved, and plans for upcoming work. This would have positioned the Permanent Secretary to monitor the demands on, and the outflow of, funds, and therefore to make relevant and timely decisions, which could have forestalled some of the problems experienced by the project.

Audit Comment

- 3.108** The Permanent Secretary (Ministry of Home Affairs) has overall responsibility for ensuring that measures were in place for the effective monitoring of the project, thus ensuring that she received timely information for decision making purposes. The Project Manager should



have ensured that the PS received the monthly status reports, and that the relevant information on variations was disclosed on the payment certificates. The Accounts Section of the Fire Service should have kept the PS abreast of all matters of expenditure related to the project.

Breach of Financial Rules

- 3.109** Under the accrual system of accounting, expenses should be recorded in the period the related transactions occurred. If there is no transaction i.e no goods or services provided then there is no record in the accounts. If payment for a good or service is not made by the end of the financial year the value of the service provided is expensed and an accounts payable is established which is settled by the Treasury in a subsequent financial year.
- 3.110** However, with respect to the project under review, it was observed that there were expenses recorded although no related construction activity had occurred. This resulted in the artificial creation of an accounts payable which was then paid in the following financial year, this was the period when construction occurred (See table below). In this regard, the Barbados Fire Service, from which the payments for the project were made, contravened Financial Rule 177. The necessary funding for the construction should have been budgeted for and expensed in the year in which the construction activity occurred.



Table 2: Inappropriately Expensed Amounts

Certificate Number	Date Funds Accrued	Issue Date of Certificate	Amount Paid from Accrued Funds (\$)
3 (revised)	03/31/2014	05/21/2014	262,118.24
4	03/31/2014	06/16/2014	83,954.01
14b	03/31/2015	05/15/2015	145,920.74
15	03/30/2015	07/01/2015	85,787.48
16	03/31/2015	07/14/2015	70,981.52
17	03/31/2015	08/24/2015	226,378.48
18	03/31/2015	09/21/2015	174,631.45
19	03/31/2015	10/21/2015	385,166.42
Total			\$1,434,938.34

Permanent Secretary, Ministry of Home Affairs Response

The Ministry has noted and accepted the observations made in relation to the special audit of the Extension of the Arch Hall Fire Station Project, and has comments only with regard to **Breach of Financial Rules**.

The Ministry and the Barbados Fire Service are aware that expenses should be recorded in the period in which the related transactions occurred. However, neither the Fire Service nor the Ministry was aware of the amounts to be paid or the periods for which the related work was done. As a result, the funds were accrued at the end of the Financial Year to pay the contractor for any outstanding invoices.

I wish to assure you that the Ministry of Home Affairs will be guided by your advice and will seek to remedy those deficiencies in the management and oversight of its Capital Works Projects that gave rise to the problems identified. In particular, measures will be implemented to closely monitor



the time lines of projects and the costs associated with each period, thus complying with the Financial Management and Audit (Financial) Rules, 2011.

Audit Comment

- 3.111** This method of accounting for payments would have caused an overstatement of the expenditure for the financial year in which the funds were expensed, while causing a corresponding understatement of expenditure in the ensuing year. This action is incorrect and was used to avoid rebudgeting for the expenditures in the new financial year. It was also a deliberate attempt to circumvent the Financial Rules.

Difference between Auditor's and Quantity Surveyor's Totals

- 3.112** The Quantity Surveyor's Projected Final Account as at July 29, 2016 showed a total equivalent to \$8.13 million. In recalculating this Account, the Auditor derived a total equivalent to \$7.61 million, which is \$0.52 million less than the Quantity Surveyor's total. This difference represents the total value of items listed on the Account as "Omissions", which should not have been included in the Account total. The relevant adjustment to the Quantity Surveyor's final account should be made before the balance outstanding is paid.



Conclusion

- 3.113** The Arch Hall Project has suffered from deficient project management. This was characterized by deficiencies in the monitoring process, involving failures in the transmission of important information to the Permanent Secretary; high level approvals not being sought prior to variations being undertaken; circumvention of the Financial Rules; and breaches of the contract in respect of the payments to the contractor.
- 3.114** The failure to properly manage the project has resulted in delays in its progress, significant cost increases, a lack of funds for completing the operation, and the ultimate suspension of works, with facilities not being completed for use, thus placing pressure on some of the other fire stations. The relevant action should be taken to ensure a speedy resolution to the outstanding issues.
- 3.115** **It is recommended that:**
- *There should be greater monitoring of projects by the Permanent Secretary and the Project Manager, in order to identify potential increases in cost due to scope variations in a timely manner.*
 - *Where there is agreement on the value of works for this project, the Ministry should pay the contractor to avoid any more charges that might arise due to the delay in completion of the project.*
 - *The Ministry should further investigate the treatment of the “Omissions” amount of \$0.52 million on the Quantity Surveyor’s Projected Final Account.*



- *All relevant changes to projects should be discussed with the Permanent Secretary and presented for approval before the work is carried out.*
- *Variations to the original contract should be shown as a separate line item on the Certificate of Interim/Progress Payment.*
- *In accordance with Rule 177 of the Financial Rules, funds should be accrued only for transactions which have already occurred.*



Table 3: Items representing the major increases in costs

Item	Amount VAT Inclusive (\$)
Scope Changes	
Extra for substructure	103,429.45
Additional North retaining walls & paved areas	644,778.75
New work at south of building - columns, gates, etc	244,347.13
Remedial work to existing building	311,714.39
Extra over on 1 st floor slab	63,534.09
Plinths on roof for solar water heaters	51,654.22
Adjustment of variations	75,500.57
New Partitions	145,010.80
Extra on external works as per re-measurement	344,742.92
Additional on drainage	78,363.10
External handrails and fencing	70,500.00
Add dayworks	143,939.71
Manholes	58,750.00
Miscellaneous items	587,171.53
Other	
Extension of time	621,551.50
Interest on Late Payments	60,035.86
Total	3,605,024.01

Source: Projected Final Account as at 29th July, 2016



CHAPTER 4

Audit of Statutory Boards, Government Companies and Controlled Entities

The Office of the Auditor General is responsible for reporting to Parliament on the audit of all the accounts of Government agencies, including statutory bodies, funds and other controlled entities. It should however be noted that the accounts of some of these entities are audited by my Office and others by private sector auditors.

4.2 In this regard the Office obtains information on the audits of all Government agencies, as part of the process of providing a comprehensive report on their status, and, where necessary, the reasons for any delays. This chapter reports on the status of the audits of Boards, other state agencies and Funds at December 31, 2016. The chapter is divided into two (2) main sections. The first section reports on those entities audited by the Barbados Audit Office. The second section reports on the entities audited by private sector auditors, and therefore includes a report on Secondary Schools, which fall under this category.

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

Arts and Sports Promotion Fund

4.3 The Arts and Sports Promotion Fund was established under the Arts and Sports Promotion Fund Act, 2003. The purpose of the Fund is to provide



financial assistance to activities and programs conducted by arts and sporting organizations for the development and practice of arts and sports. The audit of the financial statements for the financial years ended March 31, 2012 and 2013 is in progress.

- 4.4 The financial statements for the financial years ended March 31, 2014 to 2016 have not been submitted for audit.

Barbados Boxing Board of Control

- 4.5 The Barbados Boxing Board of Control oversees the promotion and regulation of boxing in Barbados. The Board receives an annual grant from the Barbados Government, and is required to have its accounts audited by the Barbados Audit Office. The Boxing Board had not submitted any accounts to be audited for the past twenty (20) years, and has in fact advised that no statements will be available for the financial years 1994 to 2004. The financial statements for the financial years 2005 to 2010 were submitted during 2015; however the supporting documentation submitted was inadequate. Statements for the financial years 2011 to 2015 were subsequently submitted but also without adequate supporting documentation. The Board needs to address this deficiency to facilitate the audit of its accounts being brought up to date.

Barbados Community College

- 4.6 The audit of the accounts of the Barbados Community College (BCC) is conducted in accordance with Section 10 (1) of the Barbados Community College Act, Cap. 36. The financial statements for the years ended March 31, 2011 and 2012 were submitted, and private sector auditors were contracted to audit these statements.



- 4.7 The financial statements for the financial years ended March 31, 2013 to 2016 are still to be submitted for audit.

Barbados Defence Force

- 4.8 The financial statements of the Barbados Defence Force for the financial years ended March 31, 2015 and 2016 were submitted and will be audited during 2017.

Barbados Hospitality Institute

- 4.9 The Barbados Hospitality Institute falls under the aegis of the Barbados Community College. This Institute conducts training for persons pursuing careers in the hospitality industry. The audit of the accounts for the financial years ended March 31, 2011 and 2012 were submitted and private sector auditors were contracted to audit these statements.

- 4.10 The financial statements for the financial years ended March 31, 2013 to 2016 have not been submitted for audit.

Barbados Liaison Service – Miami

- 4.11 The Barbados Liaison Service in Miami administers a program relating to workers recruited in Barbados for attachment to hotels in the USA. The audit of the accounts of the Service is one (1) year in arrears, and will be conducted during an on-the-spot visit to the Consulate in Miami.

***Barbados Liaison Service – Toronto***

- 4.12** The Barbados Liaison Service in Toronto administers a program relating to farm and hotel workers recruited from Barbados. The audit of the Accounts of the Liaison Service is currently up to date, as the accounts for the financial years ended March 31, 2013 to 2015 were audited when Audit Officers visited the Missions in Canada.

Caribbean Centre for Development Administration (CARICAD)

- 4.13** The Caribbean Centre for Development Administration (CARICAD) provides assistance to the countries of the Caribbean region for the purpose of improving their administrative capability. The audit of the accounts of CARICAD for the financial year ended March 31, 2013 is in progress. However, revised statements required are being prepared by the Centre and have not yet been submitted. The financial statements for the financial years ended March 31, 2014, 2015 and 2016 have not been submitted for audit.

Catastrophe Fund

- 4.14** The Catastrophe Fund was established in 2006 and is administered by the National Insurance Fund. This Fund provides financial aid to persons with homes, valued at no more than \$150,000, which are damaged by a catastrophe.
- 4.15** The audit of the accounts of the Catastrophe Fund for the year ended December 31, 2013 was undertaken during 2015. As a result of a need for certain adjustments to be made, amended financial statements for the years ended 2010 to 2013, were requested but are still to be submitted.



The accounts of the Fund for the year ended December 31, 2014 and 2015 have not yet been submitted for audit.

Central Liaison Service

- 4.16** The Central Liaison Service (Regional Security System) is a regional security organization headquartered in Barbados and supported by a number of Caribbean countries. Its functions include assisting with the fight against illegal narcotics, and combating threats to national security in member states. The accounts of the Central Liaison Service for the financial years ended March 31, 2014 and 2015 were submitted and private auditors were contracted to audit these statements. The financial statements for the financial year ended March 31, 2016 have not been submitted for audit.

Community Legal Services Commission

- 4.17** The Community Legal Services Commission provides legal aid to persons in the country who need assistance, and meet the established criteria. As I indicated in my previous report, the audit of the accounts of the Commission has fallen into arrears. Statements for the financial years ended March 31, 2010 and 2011 were audited; however, adjusted financial statements have to be submitted to facilitate completion. The audits of the accounts for the financial years ended March 31, 2012 to 2016 are outstanding.



Erdiston Teachers' Training College

- 4.18** The Erdiston Teachers' Training College is an educational institution established for the training of teachers. The accounts of the College for the financial years ended March 31, 2013 to 2016 have not been submitted for audit. The audit of the financial statements for this period is therefore outstanding.

National Assistance Board

- 4.19** The National Assistance Board provides assistance to poor and needy persons in the country in a variety of ways, and this includes providing a Home Help Service. In accordance with Section 6 (2) of the National Assistance Act, Cap. 48, the National Assistance Board is required to submit its annual accounts, within three (3) months of the end of each financial year, to the Auditor General for audit.
- 4.20** The statements of accounts of the Board for the financial years ended March 31, 2014, 2015 and 2016 have not been submitted for audit.

National Insurance Fund

- 4.21** The audit of the accounts of the National Insurance Fund is currently several years in arrears. The accounts for the financial years 2006 to 2009 are being audited by a private sector firm, which has indicated that it was having challenges in obtaining the relevant schedules to complete the audits. The audit of the accounts for the financial year 2006 is near completion, while the audits of the accounts for 2007 to 2009 are at various stages of completion. The National Insurance Department has



given a commitment that the information will be supplied, after which these audits can be completed. The audits for the period 2010 to 2015 will commence after the relevant information is made available to the auditors.

Samuel Jackman Prescod Polytechnic

4.22 The Samuel Jackman Prescod Polytechnic is an educational institution which offers technical and vocational training in a number of disciplines. Section 6 (1) of the Samuel Jackman Prescod Polytechnic Board of Management Order, 1983 (S.I. 1983 No. 78) requires the Board to submit to the Minister on or before October 1, in respect of the preceding financial year, Statements of Accounts audited by the Auditor General.

4.23 The financial statements of the Polytechnic have not been audited for over ten (10) years since no accounts have been submitted. It is time for the Board and the Ministry to intervene and end this most unsatisfactory state of affairs.

Sanitation Service Authority

4.24 The financial statements of the Sanitation Service Authority for the financial years ended March 31, 2010 to 2013 were submitted and these will be audited during 2017. The financial statements for the years ended March 31, 2014, 2015 and 2016 have not yet been submitted for audit.



Severance Payment Fund

- 4.25** The audits of the Severance Payment Fund for the financial years ended December 31, 2010 to 2012 were partially completed. However, the financial statements and additional schedules requested were not submitted to facilitate the completion of the audits. The audits of the financial statements for the financial years ended December 31, 2013, 2014 and 2015 are also outstanding, as no financial statements have been submitted to date.

Sugar Factory Smoke Control Board

- 4.26** The Revenue and Expenditure Accounts of the Sugar Factory Smoke Control Board for the years ended December 31, 2001 to 2015 have not been submitted for audit in accordance with Section 3 (11) of the Registered Sugar Factories Smoke Control Act, Cap. 355. The audit of the accounts of the Board for these years is therefore outstanding.

Sugar Industry Research and Development Fund

- 4.27** The Receipts and Payments Accounts of the Fund for the financial year ended December 31, 2013 were submitted for audit as is required by Section 15 (2) of the Sugar Industry Act, Cap. 270, and will be audited during 2017. The financial statements for the year ended December 31, 2014 & 2015 have not been submitted for audit.



Sugar Workers' Provident Fund

- 4.28** The Sugar Workers' Provident Fund provides pensions and funeral grants to persons previously employed in the Sugar Industry, and who were not entitled to a contributory pension under the National Insurance and Social Security Act. The financial statements for financial years ended December 31, 2010 to 2013 were audited and significant errors found. Corrected Financial Statements have been requested, but have not yet been submitted. The accounts for the financial year ended December 31, 2014 and 2015 have not been submitted for audit.

Transport Authority

- 4.29** The Transport Authority was set up on August 01, 2008 to regulate, monitor and plan for public transportation in Barbados. The Authority has indicated that the audit of the accounts for the financial years commencing March 31, 2011 is outstanding. The Audit Office has agreed to audit the accounts of the Authority; however, as at March 31, 2016, there has been no submission of any accounts or financial statements for audit.

Unemployment Fund

- 4.30** The Unemployment Fund, which is administered by the National Insurance Department, pays benefits to those qualifying persons who were laid off from work. The audit of the accounts for the financial years ended December 31, 2010 to 2012 was partially completed. However, financial statements and additional schedules requested were not submitted to facilitate the completion. The financial statements for the



financial years ended December 31, 2010 to 2015 have not been submitted for audit.

Retraining Fund

- 4.31** The Retraining Fund was established in 2010 by the National Insurance and Social Security (Amendment) (No. 2) Act, 2010-9, and is operated under the management and control of the National Insurance Board. The Fund provides funding for the retraining of persons who have become unemployed. The training is administered by the National Employment Bureau.
- 4.32** The financial statements for the years ended December 31, 2010 to 2013 were submitted in 2015 and the audit was commenced, but was halted due to lack of supporting information. The accounts for financial years 2014 and 2015 have not been submitted for audit.



Audits of State Agencies Conducted by Private Sector Auditors

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

Statutory Boards and Government Companies

Barbados Agricultural Credit Trust Ltd

- 4.34** The principal activity of the Barbados Agricultural Credit Trust Ltd (BACTL) is the management of the debt of the Barbados Sugar Industry Ltd (BSIL) and the Heavily Indebted Plantations (HIPs), a responsibility which was assumed from the Barbados National Bank in the form of a portfolio transfer. The audit of the accounts for the financial years ended June 30, 2014 and 2016 are outstanding. The Trust has indicated that it has been experiencing financial and administrative challenges in having the accounts audited in a timely manner but is making attempts to have the outstanding matters resolved.

***Barbados Agricultural Development and Marketing Corporation***

4.35 The Barbados Agricultural Development and Marketing Corporation (BADMC) consists of two (2) merged entities: the Barbados Marketing Corporation (BMC) and Barbados Agricultural Development and Management Corporation (BADMC). The principal activity of the BADMC under Section 10 of the BADMC Act, 1965 - 21 is the management of the production, marketing and processing of produce in Barbados. The BADMC was established by the BADMC Act, 1965 - 21 to stimulate, facilitate and undertake the development of agriculture, and to develop and manage, on a commercial basis, Government plantations along the line of Government policies.

4.36 The Corporation informed that the audit of the accounts for the 2013 and 2014 financial years are ongoing. It has had to engage outside sources to assist with the preparation of records for submission to its auditors.

Barbados Cane Industry Corporation

4.37 The Barbados Cane Industry Corporation was established under the Companies Act of Barbados to restructure the sugar cane industry. The Corporation indicated in 2015 that the financial statements for the year 2013 and 2014 are with the auditors. However, no information was received from the Corporation regarding the status of the audit of these audits. The audit of the accounts for 2015 remains outstanding.

***Barbados Conference Services Ltd***

- 4.38** The Barbados Conference Services Ltd (BCSL) is responsible for the operations of the Lloyd Erskine Sandiford Centre and provides destination management and transport services under the brand names, “Horizon Events’ Planners” and “Horizon Coaches and Tours” respectively. BCSL reported that the audit of the accounts for the financial year ended March 31, 2016 is ongoing.

Barbados Investment and Development Corporation

- 4.39** The Barbados Investment and Development Corporation (BIDC) was established under the Barbados Investment and Development Corporation Act, 1992 – 30 for the purpose of developing Barbados’ industrial, off-shore financial, export and other related activities. The Corporation has indicated that the audit of the accounts for the financial year ended March 31, 2016 has been completed.

Barbados National Oil Company Ltd

- 4.40** The Barbados National Oil Company Ltd (BNOCL), through its wholly owned subsidiary, is involved in the exploration and production of crude oil, natural gas and liquefied petroleum gas (LPG). The BNOCL is also engaged in the processing of crude oil and the sale of petroleum products to the Barbados market.
- 4.41** BNOCL has indicated that the audit of the financial statements for the period ended March 31, 2016 is ongoing.

***Barbados Port Inc***

- 4.42** The principal activity of the Barbados Port Incorporated is to manage the Port of Bridgetown, for the main purpose of enabling the Port to operate as a commercial entity. The audit of the accounts of the Barbados Port Inc for the financial year ended March 31, 2016 has been completed.

Barbados Tourism Authority

- 4.43** The principal activities of the Barbados Tourism Authority (BTA) are to promote, assist and facilitate the efficient development of tourism, and to design and implement suitable marketing strategies for the effective promotion of the tourism industry. This entity has been replaced by the Barbados Tourism Marketing Inc. and the Barbados Tourism Product Authority.
- 4.44** It was reported that the audit of the accounts for the financial years ended March 31, 2012 is awaiting signature and should be completed shortly. The financial statements for 2013 was prepared in draft to be reviewed by the auditors, and the audit of the accounts for the period ending August 31, 2014, the point of cessation of operations, was in progress.

Barbados Tourism Marketing Inc

- 4.45** The principal function of the Barbados Tourism Marketing Inc (BTMI) is the implementation of suitable strategies for the effective promotion of the tourism industry.
- 4.46** The company reported that the audit of the accounts for the financial years ended March 31 2015 and 2016 is outstanding.

***Barbados Tourism Product Authority***

- 4.47** The principal function of the Barbados Tourism Product Authority (BTPA) is to promote and facilitate the efficient development of the tourism product of Barbados.
- 4.48** The Authority reported that the audit of the accounts for the financial years ended March 31, 2015 and 2016 is outstanding.

Barbados Tourism Investment Inc

- 4.49** The principal activities of the Barbados Tourism Investment Inc (BTII) are the facilitation of tourism investment in Barbados, and the development of its vested properties in private and public partnerships.
- 4.50** The BTII has reported that the audit of the accounts for the financial year ended March 31, 2014 has not yet been completed.
- 4.51** The audit of the accounts for the financial year ended March 31, 2015 and 2016 is also outstanding.

Barbados Vocational Training Board

- 4.52** The National Training Board was set up under the Occupational Training Act, 1979, Cap. 42 to ensure an adequate supply of trained manpower through occupational training for apprentices and trainees. The name of the Board was subsequently changed to the Barbados Vocational Training



Board (The Board) under Section (2) of the Technical and Vocational Educational Training Act, 1994 - 11. The Mission of the Board, however, has remained unchanged.

- 4.53** The Training Board has indicated that the accounts for 2007 are currently being undertaken. The audit of the accounts for the financial years ended March 31, 2007 to 2016 is outstanding.

Barbados Water Authority

- 4.54** The Barbados Water Authority (BWA) was established by the Barbados Water Authority Act 1980 - 42 to take over the functions, rights and liabilities of the Waterworks Department on the “appointed day”, which is regarded as April 1, 1981.

- 4.55** The BWA reported that the audit of the accounts for the financial years 2009 to 2014 has been completed. The audits for the financial years ended March 31, 2015 and 2016 remain outstanding.

Caribbean Broadcasting Corporation

- 4.56** The principal activity of the Caribbean Broadcasting Corporation (CBC) is the provision of broadcasting services through radio and television. The audit of the accounts for the financial year ended December 31, 2016 is ongoing.

***Caves of Barbados Ltd***

- 4.57** Caves of Barbados Ltd (CBL) is mandated under the Caves Act 2000 - 12 to manage and develop Harrison's Cave and any other caves in Barbados. The CBL has indicated that the audit of the financial statements for the years ended March 31, 2013 and 2014 is near completion. The audit of the accounts for the 2015 to 2016, remain outstanding.

Child Care Board

- 4.58** The principal activities of the Child Care Board are to provide and maintain child care institutions for the safe keeping of children in need of care and protection; and to make grants to voluntary organizations or bodies operating child care institutions. The audit of the accounts for the financial year ended March 31, 2016 has been completed.

Enterprise Growth Fund Limited

- 4.59** The principal activity of the Enterprise Growth Fund Limited (EGFL) is the provision of loan financing and venture capital to dynamic, small and medium sized Barbadian companies in the productive sectors. EGFL also provides business advisory services and technical assistance to its client companies. The audit of the accounts for the financial year ended March 31, 2015 has been completed. The audit of the accounts for 2016 is outstanding.



Fair Trading Commission

- 4.60** The principal activity of the Fair Trading Commission (FTC) is to enforce the Utilities Regulation Act, Cap. 282, the Telecommunications Act, Cap. 282B, the Fair Trading Competition Act, Cap. 326C and the Consumer Protections Act, Cap. 326D.
- 4.61** The Commission is required to promote efficiency and competitiveness, and improve standards of service and quality of goods and services supplied by service providers and business enterprises over which it has jurisdiction. The audit of the accounts for the financial year ended March 31, 2016 has been completed.

Financial Services Commission

- 4.62** The Financial Services Commission (FSC) commenced operations on April 1, 2011 under the Financial Services Commission Act, 2010. The Commission represents an amalgamation of the offices of the former Registrar of Co-operatives, the Securities Commission and the Supervisor of Insurance and Pensions.
- 4.63** The functions of the Financial Services Commission (FSC) include the supervision and regulation of the operations of financial institutions; the establishment of standards for institutional strengthening, for the control and management of risk in the financial services sector and for the protection of customers of financial institutions as well as creditors and the public; and the promotion of stability, public awareness and public confidence in the operations of financial institutions. The audit of the accounts for the financial year ended March 31, 2016 has been completed.

***Grantley Adams International Airport Inc***

- 4.64** The Grantley Adams International Airport Inc (GAIA) is responsible for the commercial operations and management of the airport in accordance with the Grantley Adams International Airport (Transfer of Management and Vesting of Assets) Act (Act 2003 - 3).
- 4.65** The GAIA has reported that the audit of the financial statements for the financial year ended March 31, 2016 has been completed.

Hotels and Resorts Ltd

- 4.66** Hotels and Resorts Ltd was incorporated under the Laws of Barbados on December 27, 1995. The principal activity of Hotels and Resorts Ltd is the investment in, and development of, hotel premises. The Company has indicated that the audits for the fifteen month period ended 31st March 2015, and for the financial year ending 31 March 2016, have been completed. This is a substantial improvement from what was reported in 2015 when the audits for 2014 and 2015 were outstanding.

Islandcrafts (Barbados) Inc

- 4.67** The principal activity of Islandcrafts Inc is the sale and marketing of indigenous handcraft items. It was reported that Islandcrafts Inc. ceased operations during 2015. The audit of the financial statements for 2014 have been completed and presented to the Office.

***National Conservation Commission***

- 4.68** The principal activity of the National Conservation Commission (the Commission) is the management, maintenance and development of the public parks, beaches and open areas of Barbados.
- 4.69** Audits of the accounts of the Commission have been completed up to the financial year ended March 31, 2013. The Commission has reported that the audit of the accounts for the financial year ended March 31, 2014, 2015 and 2016 are outstanding, and auditors have been engaged to bring these audits up to date during 2017.

National Council on Substance Abuse

- 4.70** The principal activity of the National Council on Substance Abuse (NCSA) is to advise the Ministry of Home Affairs on measures for the eradication or control of substance abuse.
- 4.71** The accounts of the Council are audited by auditors from the private sector; however, due to budgetary constraints the Barbados Audit Office was requested to conduct the audit of the accounts for the financial year ended March 31, 2011, and this audit has been completed. The audit of the accounts for the financial years ended March 2012 to 2016 is currently in arrears. The Council reported that efforts are being made to bring its accounts up to date so that these audits can be completed.

***National Cultural Foundation***

- 4.72** The principal activities of the National Cultural Foundation (the Foundation) are to stimulate and facilitate the development of culture, organize and assist in cultural activities, and develop, maintain and manage theatres and other cultural facilities and equipment provided by the Government of Barbados.
- 4.73** The audit of the accounts for the financial year ended December 31, 2015 has been completed. The audit of the accounts for the financial year ended 31st March 2016 is outstanding.

National Housing Corporation

- 4.74** The National Housing Corporation is a state agency which has responsibility for the development of land and the construction of housing units for sale or rent to low and middle-income persons. The Corporation has reported that the accounts for the financial years ended March 31, 2012, 2013 and 2014 are being audited. The audits for the financial years ended March 31, 2015 and 2016 are outstanding.

National Productivity Council

- 4.75** The principal activities of the Barbados National Productivity Council (BNPC) are: to create and develop methodologies for measurement, management and improvement in the public service and private sector, and to provide technical advice and assistance for devising productivity related payment schedules. The Council indicated that the audit of the accounts for the financial year ended March 31, 2016 has been completed.

***National Petroleum Corporation***

- 4.76** The National Petroleum Corporation (the Corporation) has as its principal activity the supply of natural gas to industrial, commercial and domestic customers. The Corporation has indicated that the audit of the accounts for the financial year ended March 31, 2014 has been completed. The audit of the accounts for the financial years ended March 31, 2015 and 2016 are outstanding. However, the Corporation indicated that the audit of the accounts for 2015 is ongoing.

National Sports Council

- 4.77** The principal activities of the National Sports Council (NSC) are to maintain and develop sporting facilities provided for public use, and to stimulate the development of sports in Barbados. The Council has reported that the audit of the accounts for the financial years ended March 31, 2013, 2014 and 2015 has been completed and the reports are in draft form. However, the Council reported that these financial statements are not being released by the auditors, since their request for a copy of a special audit done by the Auditor General was not being honoured. The audit of the accounts for the financial year ended March 31, 2016 is outstanding.

Queen Elizabeth Hospital

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



- 4.79** The Hospital has reported that the audit of the accounts for the financial year ended March 31, 2011 has been completed. The audit of the accounts for the financial years ended March 31, 2012 to 2016 is outstanding

Rural Development Commission

- 4.80** The Rural Development Commission (the Commission) was incorporated on August 21, 1995 under the Rural Development Commission Act, 1995-12. Its principal activity is to improve the quality of life of persons living in rural communities in Barbados.

- 4.81** The Commission reported that the audit of the accounts for the financial year ended March 31, 2008 is being finalized. The audit for the financial years ended March 31, 2009 to 2016 is outstanding. The Commission indicated that the two (2) major reasons for the delay in the audits of the accounts are some changes requested by the auditors to schedules which the Commission submitted, and issues relating to an aged server. It has also reported that these matters have been resolved. Notwithstanding the reasons given, the audits of the accounts of the Commission are substantially in arrears.

Student Revolving Loan Fund

- 4.82** The principal activity of the Student Revolving Loan Fund (SRLF) is to assist in the educational process through the provision of loans. SRLF has reported that the audit of the accounts for the financial year ended March 31, 2016 has been completed, and copies will be made available to my Office after presentation to the Board of Directors.



Technical and Vocational Education and Training (TVET) Council

- 4.83** The principal activities of the Technical and Vocational Education and Training (TVET) Council are to provide advice on policy, and to prepare plans and establish standards for technical and vocational education at the tertiary level, in accordance with national policies and economic needs.
- 4.84** The audit of the accounts for the financial year ended March 31, 2016 has been completed.

Transport Board

- 4.85** The Transport Board's principal activity is the provision of transportation to the general public. The Board indicated that the audit of the accounts for the financial year ended March 31, 2011 is still in progress. The delays have been attributed to the Office of the Accountant General having to confirm balances relating to subsidies, supplementaries and transfers to their auditors. The audit of the accounts for the financial years ended March 31, 2012 to 2016 also remains outstanding.

Urban Development Commission

- 4.86** The principal activities of the Urban Development Commission (UDC) are to undertake slum clearance and improve social amenities in urban areas. The UDC also provides loans to individuals with small enterprises, and for assistance in house acquisition, repairs and improvements. It was previously reported that the audit of the accounts for the financial years 2008 to 2014 were outstanding. No information was received from the



Commission indicating a change in the status of the audits. This situation needs to be urgently addressed by the Commission.

Audits of Secondary Schools

- 4.87** Section 20 (1) (b) of the Education Act requires that the audited accounts of secondary schools be submitted to the Minister not later than six (6) months after the close of the financial year which ends on March 31. The status of the accounts of these schools at December 31, 2016 was as follows:
- 4.88** The audit of the accounts of the school listed below has been completed for the financial year ended March 31, 2016. The audit of the accounts of this school is therefore up-to-date as required by the Education Act.
- ***Deighton Griffith Secondary School***
 - ***Daryll Jordan Secondary School***
- 4.89** The audits of the accounts of the following schools were not up-to-date as required by the Education Act.
- ***Alexandra School***
- 4.90** The School has reported that the audit of its accounts for the financial years ended March 31, 2013 to 2016 is outstanding. The school reported that the auditors have expressed some challenges in getting the necessary information to complete the audit of the accounts.



- ***Alleyne School***

4.91 The School has reported that the audit of its accounts for the financial year ended March 31, 2016 is outstanding.

- ***Alma Parris Secondary School***

4.92 The audit of the accounts of the Alma Parris Secondary School for the financial year ended March 31, 2014 is completed and has been submitted to the Board for approval. The audits for the financial years ended March 31, 2015 and 2016 remain outstanding.

- ***Christ Church Foundation School***

4.93 The audit of the accounts of the Christ Church Foundation School for the financial years ended March 31, 2011 to 2016 is outstanding. The School has reported that it has experienced some challenges with its previous auditor but has recently acquired the services of another private auditor, and work on the audit of accounts should start in 2017.

- ***Coleridge and Parry School***

4.94 The School has reported that audit of the accounts for the financial years ended March 31, 2012 and 2013 is near completion. The audit of the accounts for the financial years ended March 31, 2014, 2015 and 2016 is outstanding.



- **Combermere School**

4.95 The audit of the accounts of the Combermere School for the financial years ended March 31, 2011 to 2016 is outstanding.

- **Ellerslie Secondary School**

4.96 The school has reported that the audit of its accounts for the financial year ended March 31, 2011 to 2014 has been completed. The audit of the accounts for the financial years ended March 31, 2015 and 2016 is in progress.

- **Frederick Smith Secondary School**

4.97 A review of the accounts of the Frederick Smith Secondary School for the financial years ended March 31, 2013 to 2015 was conducted by the Barbados Audit Office upon request. However the related financial statements are still to be submitted and as a result the audit remains incomplete. In addition the audit for the financial year 2016 remains outstanding.

- **Grantley Adams Memorial School**

4.98 The audits of the accounts of the Grantley Adams Memorial Secondary School for the financial years ended March 31, 2013 to 2016 are outstanding. The School has indicated that it is awaiting the guidance of the Ministry of Education regarding challenges experienced by the auditor, which prevented the execution of audits.



- ***Graydon Sealy Secondary School***

4.99 The school has reported that the audit of the accounts for the financial year ended March 31, 2016 is outstanding.

- ***Harrison College***

4.100 The audit of the accounts of Harrison College for the financial year ended March 31, 2015 is completed. The School has indicated that it is preparing for the audit of accounts for the financial year ended March 31, 2016.

- ***Lester Vaughan School***

4.101 The Lester Vaughan School has reported that an auditor has been contracted to conduct the audit of its accounts with effect from 2012. However the audit of accounts for 2012 could not be completed as the audit of the financial years ended March 31, 2010 and 2011 were not finalized by the previous auditor. In addition, the audit of the accounts for the financial years ended March 31, 2013 to 2016, remains outstanding.

- ***The Lodge School***

4.102 The Lodge School has reported that the audit of the accounts for the financial year ended March 31, 2016 is outstanding. The School has indicated that it is currently preparing the accounts for the auditors in the format requested.



- ***Parkinson Memorial School***

4.103 The audit of the accounts of the Parkinson Memorial School for the financial years ended March 31, 2013 to 2016 is outstanding. The School indicated that the private auditor was experiencing problems with the audit, and requested the assistance of the Audit Office. Based on current staff constraints my Office has been unable to provide the necessary assistance. It is hoped that this situation can improve when additional staff members are recruited.

- ***Princess Margaret Secondary School***

4.104 The audit of the accounts of the Princess Margaret Secondary School for the financial years ended March 31, 2013 to 2014 was conducted by the Audit Office upon request. However, the related financial statements have not been submitted. In addition the audit of the accounts for the financial year ended March 31, 2015 and 2016 remains outstanding.

- ***Queen's College***

4.105 The audits of the accounts of Queen's College for the financial years ended March 31, 2013 to 2016 are outstanding. The school has indicated that it is in discussion with the Ministry of Education, Science, Technology and Innovation on this matter.

- ***Springer Memorial Secondary School***

4.106 The audit of the accounts of Springer Memorial Secondary School for the financial years ended March 31, 2013 to 2016 is outstanding.



- ***St. George Secondary School***

4.107 The audit of the accounts of the St. George Secondary School for the financial years ended March 31, 2013 to 2016 is outstanding. The school reported that the auditor experienced difficulties which prohibited the auditing of the accounts.

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

4.108 The audit of the accounts of the St. Leonard's Boys' Secondary School for the financial years ended March 31, 2013 to 2016 is outstanding.

- ***St. Michael School***

4.109 The School has reported that the audit of its accounts the financial year ended March 31, 2013 is in progress. The audits for the financial years ended March 31, 2014 and 2016 are outstanding.

General Observations

4.110 The audits of a number of Government agencies are in arrears, and this must be of concern for Government. These agencies should have had their accounts audited annually as required by law.

4.111 Agencies whose audits are in arrears need to re-examine their accounting systems, processes and staffing to see how they can be improved.



- 4.112** The submission of accounts long after the due period often leads to problems in finalizing the audits and is of little help to decision makers. The late submissions are also contrary to statutory requirements and can create an environment where fraud can thrive and remain undetected.



CHAPTER 5

Follow-up Reports

Introduction

This chapter highlights the status of issues and recommendations made in previous audit reports of the Barbados Audit Office. It is important for the Office to determine whether action has been taken on the issues raised. This is carried out through the follow-up process which involves Ministries, Departments and Statutory Corporations providing updates on the following information:

- The action taken to address the issues;
- The status and impact of any action taken;
- Reasons for any failure to take action.

5.2 Sixteen (16) entities were requested to provide this information, and twelve (12) have responded. The entities surveyed and the status of the responses is shown in the table below.



Ministries/Department/Statutory Corporation	Response received
Barbados Investment Development Corporation	Yes
Barbados Vocational Training Board	Yes
Barbados Water Authority	Yes
Customs Department	Yes
Geriatric Hospital	Yes
Immigration Department	No
Invest Barbados	Yes
Ministry of Agriculture, Food, Fisheries and Water Resource Management	Yes
Ministry of Education, Science, Technology and Innovation	Yes
Ministry of Transport and Works	No
National Housing Corporation	Yes
Office of Attorney General	Yes
Police Department	No
Registration Department	Yes
Rural Development Commission	Yes
Urban Development Corporation	No

Prepared by the Barbados Audit Office



- 5.3 The balance of this Chapter provides the issues and the responses provided by the entities. In most instances the responses of the entities have been reproduced verbatim.

Barbados Investment and Development Corporation

- 5.4 Included in the Auditor General's Report for 2007 was a Special Report on the Newton Business Park, which included the following issue.
- 5.5 In March 2007 the Corporation terminated a contract for which the full sum (\$18.5 million) had been disbursed, but the project, commenced in October 2003, remained uncompleted. In addition, an independent consultant reported defects in the work and cited a cost of over \$7,000,000 to correct these defects and complete the project.
- 5.6 In response to previous requests from the Audit Office for follow-up information on this matter, the Corporation indicated that it had retained the services of an attorney and was taking action to recover damages. The Corporation also reported that the buildings had been sold for \$32 million, and it was trying to settle the matter with the former contractor out of court.

Corporation's Response, 2016

Please note that on October 21, 2015, the Board of the BIDC agreed to write-off the outstanding contingent liability in relation to the FIDIC Contract between Newton Business Park Project Company Limited and the contractor.



The Corporation had noted the protracted length of time any proceeding to determine this matter would take, the costs of pursuing the matter, and the possibility that even if the BIDC on behalf of NBPPCL was successful in winning a settlement/judgement, the ability of the contractor to pay would be questionable (there being over twenty-two (22) Judgements registered in Trinidad and Tobago against the Company).

Barbados Vocational Training Board (BVTB)

- 5.7** The issues here being followed up were initially raised in the Auditor General's Report for 2012. Previous responses to requests from the Audit Office for follow-up information are summarised.

Issue

- 5.8** During the period from April 1, 2009 to March 31, 2012, a total of forty eight (48) apprentices in training with the BVTB were not certified because there were insufficient training records on their files. There was no evidence that action was taken by management to address this shortcoming.
- 5.9** In response to a previous request from the Audit Office for follow-up information on this matter, the BVTB indicated that the Officers now ensure that every form for each apprentice is on file, and that data required from the Samuel Jackman Prescod Polytechnic (SJPP) for each Apprentice is obtained and filed.

**Board's response, 2016**

To determine eligibility for certification, under the new process, the Inspector creates a summation of the file, indicating that the relevant documents, to support certification, are enclosed. The file is forwarded to the Senior Inspector for further review to validate the decision concerning the eligibility for certification. The file is then routed to the Registrar for certification.

- 5.10** The Training Board has indicated that it will supply information on the number of persons certified. However this information was not made available at the report date.

Barbados Water Authority (BWA)

- 5.11** There were a number of issues mentioned in a Special Audit Report issued in July 2012 for which my Office sought an update. The issues and follow-up information are summarized as follows:-

Issue 1

- 5.12** Approval was granted for BWA personnel to participate in a Utilities Best Practice United Kingdom Study Tour from July 10 - 17, 2010. A company was paid a total of \$31,500 for coordinating and facilitating the Tour. Tickets valued at \$10,708.03 were also purchased from a travel agency. At the time of the review there was no evidence provided to show that the tour took place or that these funds were ever recovered.

**Authority's Response, 2016:**

One individual has still not refunded the allowances paid to him despite being asked to do so and the company which facilitated the tour has not refunded the fees of \$31,500.00 because the Authority has not been able to contact them since their phone contact information went out of service.

Issue 2

- 5.13** Goods ordered from a firm totalling Bds. \$462,786.26 were paid for but not delivered. No due diligence was conducted on this firm which is based in the USA.

Authority's Response, 2016:

This matter was passed on to the Director of Public Prosecution through the parent Ministry of Agriculture and witness statements were taken from relevant BWA managers in August 2013 by the Royal Barbados Police Force. However, nothing more has been heard from the Police on any further actions taken. So the matter is still outstanding.

Issue 3

- 5.14** On quotation 1027916 dated June 11, 2010 a company quoted for the supply of goods at a cost of BDS\$61,200. However, the payment was made for US\$61,200.
- 5.15** In a previous response the BWA indicated that it had written and emailed the supplier requesting a refund of the overpayment. Secondly, the BWA was pursuing legal action against the supplier on this matter and others.

**Authority's Response, 2016:**

This matter was also passed on to the Director of Public Prosecution through the parent Ministry of Agriculture and witness statements were taken from relevant BWA managers in August 2013 by the Royal Barbados Police Force. However, nothing more has been heard from the Police on any further actions taken. So the matter is still outstanding.

Issue 4

- 5.16** Goods ordered from a firm which totalled Bds. \$351,086.59 were paid for but the majority was not delivered.
- 5.17** In a previous response the BWA indicated that it was pursuing legal action against the supplier on this matter, which had been referred to the Director of Public Prosecutions.

Authority's Response, 2016:

This matter was also passed on to the Director of Public Prosecution through the parent Ministry of Agriculture and witness statements were taken from relevant BWA managers in August 2013 by the Royal Barbados Police Force. However, nothing more has been heard from the Police on any further actions taken. So the matter is still outstanding.

**Issue 5**

- 5.18** In a previous response to an audit report the BWA indicated that it was scheduled to replace approximately 49 Km of water mains through the IDB-funded Water and Sanitation Upgrade Project. It was also in the process of engaging the Government of the People's Republic of China for a significant loan which would see the large scale replacement of mains which were known to break frequently and/or contribute significantly to the incidence of discoloured water.

Authority's Response, 2016:

For the execution of the IDB-funded mains replacement project, the BWA had more success at replacing the mains identified under the project for the following reasons:

The loan financing being sought from the Government of the People's Republic of China has not yet been finalised. We are still awaiting approval by the Ministry of Finance and Economic Affairs.

For the most part, the method of installation of water mains by the BWA has changed from the use of jackhammer and compressor for the digging of trenches to excavation by machine (i.e. trencher or excavator). In some cases, trenchless technology has been used as well. This has resulted in faster installation of mains.

**Issue 6**

- 5.19** In a previous report the BWA indicated that it relies mainly on the public to alert it of leaking mains or when the evidence of the leak comes to the surface. It was pointed out that this method is not the most effective means of detecting leaks, since some leaks may not surface in a timely manner and others may not surface at all.

Authority's Response, 2016:

During the financial year 2015-2016, additional equipment was procured for the leak detection department and some additional personnel were temporarily re-assigned to the department as well. An expanded Non-Revenue Water (NRW) Management Unit has been approved by the Board and a request has been made to the Minister for the creation of the additional posts.

The BWA will still rely on the public to alert it of leaks when the evidence of the leak comes to the surface but once all of the metering is completed and the systems are in place to aggressively address leakage there will be less reliance on the public to alert it of leaks.

Arrangements are being put in place to seek expertise to help train the BWA NRW Management Unit staff.

**Issue 7**

5.20 The fixing of a West Coast Main was a major task carried out by a firm subcontracted by the BWA. It was subsequently discovered that there were leaks to the installed main which required remedial work. It was however noted that the Authority had not quantified the work required to locate the leaks and effect repairs to the main.

5.21 In a previous response, the Authority indicated that Hydrostatic pressure testing was conducted on sections of the main at least forty-six (46) times, resulting in nine (9) faults being identified and corrected, with the related labour and material costs approximating \$76,494.04. The BWA had approached the contractor to discuss the deduction of these costs from the retention money.

Authority's Response, 2016:

The contractor was written and money was recovered from the retention money held by the BWA.

Issue 8

5.22 As an employer of approximately eight hundred (800) persons the BWA should have a documented recruitment process that guides its hiring practices. This process would detail the various activities necessary for recruiting employees. When asked about a documented recruitment process, BWA personnel stated that the process is not documented but follows customs developed over time.

**Authority's Response, 2016:**

The Board of Directors approved the adoption of the use of the Public Service Act to address the hiring and appointment process. The Authority has not as yet finalised discussions with the Union with regard to the Draft Recruitment and Selection Policy that it had prepared, due to a large number of industrial relations matters still to be settled with the Union.

Customs and Excise Department

- 5.23** Two (2) of the issues here being followed up were raised in a Special Audit Report which was included in the 2009 Auditor General's Report, while the other three (3) were raised in the 2010 Report. Previous responses to requests for follow-up information are summarised.

Issue 1

- 5.24** **Vehicles exiting the Port without duties being paid:** From a sample of sixty-seven (67) vehicles from the financial years 2007 to 2009, forty-one (41) were shown to have exited the Port without the payment of customs duty, with resulting revenue loss of approximately \$447,699 in taxes.

Recommendation (Made in 2009)

- 5.25** This matter needs to be thoroughly investigated by the Department and appropriate steps taken to avoid a recurrence. Appropriate disciplinary action should be taken against any officers complicit with this activity.



- 5.26 In a previous response the Department indicated it had recovered four (4) of the vehicles and the investigation of matters relating to the others had been referred to the Police in October 2010.
- 5.27 There has not been any additional action taken by the Department on this matter.

Issue 2

- 5.28 **Betting and gaming:** Some three hundred and forty-nine (349) gaming machines which would normally attract an annual licence fee of \$15,000 each (\$5,235,000 per annum in total) were imported by a company and altered, with the permission of the Ministry of Finance. They were released by the Customs Department without being classified for tax purposes, and no licence fees were being paid for them.
- 5.29 In a previous response the Department indicated that the company responsible for the operation of the machines had obtained an injunction prohibiting the Government from taking action to seize the terminals for failure to pay fees. The matter was before the law court.

Customs Department Response, 2016

There has not been any additional action taken by the Department on this matter.

**Issue 3**

- 5.30 Dishonoured Cheques:** Receivables at March 31, 2010 included an amount of \$2,574,263.29 for dishonoured cheques relating to the period 1999 to 2007.

Recommendation (Made in 2010)

- 5.31** This matter should be thoroughly investigated and appropriate action taken in accordance with Rule 46 of the Financial Rules.

Customs Department Response, 2016

The sum was reduced from \$2,574,263.29 at March 31, 2010 to \$206,034.27 at March 31, 2016 for the period 1999 to 2007. Permission had been sought and granted by the Ministry of Finance to write-off the amounts that had exceeded the seven-year statutory limit.

Issue 4

- 5.32 Field Audit Unit:** Audit requests for reports from the Field Audit Unit revealed that the Unit had not produced any reports for the year under review. As a result, there was no available evidence to show if the warehousing process was being effectively monitored."

Recommendation (Made in 2010)

- 5.33** Steps should be taken to ensure this Unit functions as intended to minimize the risk of the loss of Government revenue.



- 5.34** The Department previously indicated that the Field Audit Unit had not performed as expected. It was being revamped and would be reengineered.
- 5.35** There have been no further updates provided by the Customs Department on this matter.

Geriatric Hospital

- 5.36** The following issue was raised in the Auditor General's Report for 2014. It is being followed-up for the purpose of determining if any progress has been made in addressing the matter.

Issue

- 5.37** On retirement from the public service three (3) former officers of the Geriatric Hospital were indebted to the Crown by a total of \$178,619.94.

Recommendation (Made in 2014)

- 5.38** The Hospital should inform the Accountant General of this situation so that measures could be put in place to recover the overpayments from their retiring benefits. The controls in the accounts section should be strengthened to avoid any repetition.

**Auditee's Response (2016)**

The Hospital Manager reported that:

The information regarding the indebtedness to the Crown of the three officers had been submitted to the Accountant General on October 30, 2014 for necessary action;

In an effort to avoid any repetition of overpayments, measures were put in place to facilitate the process where information on Officers compiled by the Human Resource section would reach the Accounts section in a timely fashion.

Immigration Department

- 5.39** The Auditor General's Report for 2008 included a Special Report on the Immigration Department, in which the following were among the issues raised.

Issue 1

- 5.40** Although arrival and departure information was entered into a computerized database at the Department, a common identifier for tracking each person entering and exiting the country was not assigned. This factor contributed to the difficulty in providing up-to-date information on persons staying in the country illegally.

**Issue 2**

- 5.41** There were no facilities in place at the Bridgetown Port and Port St. Charles Marina for monitoring the arrival and departure of yachts.

Issue 3

- 5.42** Thirty percent (30%) of 250 applications which were examined for compliance with the Department's policies with respect to issuing work permits were issued without the following requirements: application being signed by the employer, cover letter signed, police certificate from the applicants' homeland, applications being approved by the Minister and complete documentation (in case of a permit for one year).

Issue 4

- 5.43** During the 2006-2008 period, two thousand, one hundred and four (2,104) applications for work permits and renewals were not approved by the Department. It was not known whether the affected persons left the country since the Department did have a systematic policy on carrying out follow ups on such persons.
- 5.44** No updates were provided by the Department on these matters.

**Invest Barbados**

- 5.45** Barbados International Business Promotion Corporation (Invest Barbados) is a Statutory Corporation that was established to market and promote Barbados as an international business and financial services centre. As at March 2012, Invest Barbados had received \$70.3 million in funding from the Government of Barbados.
- 5.46** In order to determine success in the achievement of its mandate, Invest Barbados developed performance measures and related targets such as New Investments, Corporation Tax Revenues from International Business, Jobs Created, Number of Financial Services Registrations, New Client Visits, New Companies (non-financial services), Export Sales, Increase in Foreign Exchange Earnings, and Executed Projects Receiving Technical Assistance.
- 5.47** The issues here being followed up were first raised in a Special Report issued in 2012. Previous responses from Invest Barbados are summarised.

Issue 1

- 5.48** Invest Barbados admitted that the results for “New Investment” could not be measured. In addition, when the performance measure “Corporation Tax Revenues from International Business” was introduced in 2009-2010, the data to measure this target was not available.

**Corporation's Response, 2016**

IB continues to have difficulty in accurately measuring new investments from financial services entities in the international business sector as most of these entities are unwilling to share this information. Further IB has no legal authority to demand it. IB therefore continues to encourage the regulatory agencies including the Central Bank of Barbados, International Business Unit and BRA, with the legal authority to collect this information to include this request on their licence application/corporation tax assessment forms. This matter remains outstanding. IB's Business Development Officers still routinely request this information during client follow up meetings.

Issue 2

- 5.49** Invest Barbados indicated that it discontinued reporting on “Jobs Created” in 2010-2011. Invest Barbados had relied on information collected by Barbados Investment Development Corporation (BIDC) but the information collected did not include the financial services sector and only related to employment in the industrial estates.
- 5.50** In a previous response Invest Barbados indicated it had become able to report on an annual basis on the approximate number jobs in the international business sector. However, the more detailed analysis which Invest Barbados was hoping to commission had not materialised because of budgetary constraints.

**Auditee's Response, 2016**

IB continues to report on an annual basis on approximate number jobs in the international business sector. This is one of the metrics in our annual study on the performance of the international business sector. Additionally, commencing the current financial year, Business Development Officers report on the number of jobs created from new business start-ups and expansions. We will continue to enhance the collection and reporting of this data – number of fulltime employees in the sector as well as jobs created.

Issue 3

- 5.51** It was reported that Invest Barbados could not determine the percentage of financial services registrations attributable to its efforts.

Auditee's Response, 2016

IB is the only government agency that promotes Barbados as a jurisdiction of choice for international business. While some independent marketing is also done by local service providers, lawyers, and accounting firms, the private sector collaborates with IB. IB remains the primary marketing agency and therefore the financial services registrations are primarily attributable to its efforts.

IB continues to collect information from the regulatory agencies on new registrations. Given the length of the sales cycle involved in setting up financial services entities offshore, it remains a challenge to determine precisely and in a timely manner, which start-ups result exclusively from a singular promotional effort. This notwithstanding, IB is constantly seeking



to improve the collection of data related to the outcomes of its promotional efforts. For example, IB is currently collaborating with the relevant agencies to report on success by geography. Additionally, IB is liaising more closely and regularly with service providers and clients, both to obtain feedback as well as to assess the success of promotional activities.

Ministry of Agriculture, Food, Fisheries and Water Resources

- 5.52** The following was among a number of issues raised in the 2014 Audit Report. It is being followed up for the purpose of ascertaining if any progress has been made in addressing the matter.

Issue

- 5.53** A check of the records at the High Street Mall revealed that the rent receivable included an amount of \$37,800.00 owed by a tenant. The last payment by that tenant was on November 23, 2013 relating to the month of May 2009. An agreement had been entered into in respect of repayments but this was not being adhered to. This situation is due to the failure of the management of the markets to take early remedial action against this tenant.

Auditee's response (2016)

The Ministry has indicated that the tenant in question now owes \$45,000.00, and that it intends to evict the tenant and refer the matter to the Solicitor General. The Ministry would also investigate the indebtedness of other tenants.

**Ministry of Education, Science, Technology and Innovation**

- 5.54** The following issue was raised in the 2014 Audit Report. The purpose of this follow-up is to determine whether any progress has been made in rectifying the situation.

Issue 1

- 5.55** Outstanding balances totalling \$498,031.52 in one hundred and ninety-six (196) accounts were reflected in the Ministry's schedule of overdrawn salaries as at March 31, 2014. In many instances no repayments had been made. Authorizations for the accounting personnel to make salary adjustments are often delayed at the Personnel Administration Department and the Ministry's Personnel Section for various reasons.

Auditee's Response, 2016

"The Ministry is making some progress with respect to the resolution of the matter of overdrawn salaries.

The Accounts Section makes provision for any amounts due as a result of overdrawn salaries as these amounts are taken from a person's salary in accordance with the Financial Management and Audit (Financial) Rules, 2011, Section 180 (2) and some amounts have been recovered. The total outstanding balance with respect to overdrawn salaries is currently three hundred and sixty-three thousand, nine hundred and forty-one dollars and sixty-five cents (\$363,941.65).



Please also note that the Ministry has sent written reminders to Principals to report the absence and leave of teachers in a timely manner as per our Audit Response, and it is the intention of the Ministry to keep sending these reminders from time to time.”

Ministry of Transport and Works

5.56 One of the issues here addressed was initially raised in a Special Report which was included in the 2009 Auditor General’s Report, in relation to The Barbados Road Network Infrastructure Improvement Project (BRNIIP). This project was implemented by the Government to improve the flow of traffic through the design and construction of overpasses, the widening of sections of the ABC Highway, the supply and installation of a traffic synchronization system across the island, and the undertaking of a Bridgetown Traffic Study review. The other issue was raised in the 2014 Audit Report.

Issue 1

5.57 One of the issues with the Barbados Road Network Infrastructure Improvement Project (BRNIIP) was that it was commenced without completed designs and agreed costs. This contributed to disputes between the Ministry and the contracted firm about the total cost of the Project. The Ministry subsequently indicated that the company had filed a Writ seeking \$39,430,877.68 plus interest, citing wrongful termination and/or repudiation of their engagement.

**Issue 2**

- 5.58** A supplier was paid twice for work related to Electrical Renovations at the Country Road Branch of the School Meals Department resulting in an overpayment of \$65,671.92. At the time of the audit the monies had not been recovered.
- 5.59** No updates were provided by the Ministry on these matters.

National Housing Corporation (NHC)

- 5.60** The issue here being followed up was raised in a Special Report issued in 2009.

Issue

- 5.61** One of the criteria required by the Condominium Act, which is applicable to the operations of the NHC, is the establishment of a management company. In 2011, a number of condominiums were built at Flat Rock, St. George, and Brighton, Black Rock, but could not be sold as the corporation had not established a management company as required.

Recommendation (Made in 2009)

- 5.62** The Corporation should ensure that a management company is set up as required by the Condominium Act, CAP. 224A.



- 5.63** The Corporation had previously reported that the matters at Brighton, St. Michael and Flat Rock, St. George were being resolved by the Corporation's Technical Department. Thereafter, the Corporation's Legal Department would take the matter forward.

Corporation's Response, 2016

Please note that the Corporation is working with the Chief Town Planner to have the outstanding conditions met. This has reaped some success at Brighton and a similar process should follow at the remaining sites.

The additional surveying work will be completed and preparation of the appropriate documentation will follow.

However, to date no management company has been set up.

Office of the Attorney General

- 5.64** The issue here being followed up was raised in the 2007 Auditor General's Report, in relation to the Construction of a Police Station at Crab Hill, St. Lucy.

Issue

- 5.65** Repeated problems with the original contractor led to the hiring of a second contractor whose work required remedial action by a third contractor, eventually resulting in overruns of over \$2,600,000. There was no evidence the Ministry had taken action to recover amounts due as a result of substandard work.



- 5.66** In previous responses to requests from the Audit Office for follow-up information, the Office of the Attorney General reported that remedial work had been completed and the station occupied, but no action had been taken on cost recovery. The matter was eventually referred for the advice of the Solicitor General.

Office of Attorney General Response, 2016:

The matter has been referred to the Solicitor General and the Ministry is awaiting her advice.

Police Department

- 5.67** The issues here being followed up were raised in the 2014 Auditor General's Report, in relation to the operations of the Police Department.

Issue 1

- 5.68** Overdrawn salaries at March 31, 2014 totalled \$442,679. Some of the individual balances were substantial and had accumulated over a considerable period.

Recommendation (Made in 2014)

- 5.69** In 2014 it was recommended that this matter needed urgent remedial action.

**Issue 2**

- 5.70** At March 31, 2014 there were seven hundred and fifty-five (755) firearm licences which had not been renewed by the due date. Some of these were outstanding for as many as nine (9) years, and the status of the firearms for which these licences were issued was unknown at the time of the audit.

Recommendation (Made in 2014)

- 5.71** The unknown status of such a large number of firearms needs to be investigated urgently.
- 5.72** There have been no further updates provided by the Police Department on these matters.

Registration Department

- 5.73** The issue here being followed up was initially raised in the 2011 Auditor General's Report.

Issue

- 5.74** Various fines were being imposed by the courts, but the relevant warrants were not issued to the defendants. A review of the warrants from various years showed that fines from sixty-one (61) cases totalling \$2,458,400 remained outstanding.

**Recommendation (Made in 2011)**

- 5.75** The system of the issuance and follow-up of outstanding warrants should be addressed.

Department's Response (2016)

The Department submitted information indicating the updated status of the Books at the various Courts as at December 9th 2016:

The dates to which the books had been updated ranged from February 25th, 2014 to December 8th, 2016.

Rural Development Commission

- 5.76** Two of the issues here being followed up were initially raised in the 2006 Auditor General's Report, while the third was raised in the 2009 Report.

Issue 1 (2006)

- 5.77** The Commission indicated that an assessment would be carried out for the first 10 years of its Loan Fund to determine its impact. Approximately \$4.5 million in loans had been distributed to various enterprises and businesses with the aims of creating employment and business opportunities.
- 5.78** The Commission initially cited a proposal that the study be conducted by the Social Sciences Faculty of the UWI Cave Hill Campus, but later indicated that it would be conducted using in-house resources. The information was to be submitted once it became available.

**Commission's Response, 2016**

A questionnaire has been completed but the necessary information has not been collected. It is proposed to train the field officers in 2017 to collect the information and to complete the analysis as soon as possible thereafter. However, the level of progress in this area will depend on the Commission's ability to fund this activity.

Issue 2 (2006)

- 5.79** The Commission had been acquiring land for road construction without obtaining the necessary permission from all land owners.
- 5.80** In a previous response to the Audit Office, the Commission indicated that it was seeking advice from the Ministry of Housing and Lands with respect to the procedures for obtaining land from private individuals. A compensation process had also commenced.

Commission's Response, 2016

The Commission has developed procedures for obtaining land from private individuals and for compensating them.

Issue 3 (2009)

- 5.81** The RDC has been constructing houses and effecting house repairs in respect of needy persons in rural areas. The Commission indicated that there was however no maintenance program in place, hence houses were



being repaired only when requests were made. Consequently, some houses were in a dilapidated state.

Commission's Response, 2016

The Commission has a maintenance program which is based on a yearly assessment of the condition of its houses for insurance and maintenance purposes. However, due to lack of funding, the Commission has not been able to carry out the program in its entirety. As a result of lack of funding, some of our houses continue to deteriorate.

Urban Development Commission

5.82 Two of the issues here being followed up were initially raised in a 2004 report, while the other two were raised in a 2006 report.

Issue (2004)

5.83 Some eighty-two percent (82%) of loans under the Housing Loan Program were in arrears.

5.84 In a previous response to a request for follow-up information on this matter, the Commission reported that the Program had been put on hold indefinitely. As a result of high loan delinquency, two officers had been assigned to work directly on the collection of loan payments.

5.85 No updates were provided by the Commission on these matters.

**Issue (2004)**

- 5.86** There were high levels of delinquency in repayment of loans under the Enterprise Loan Program.
- 5.87** According to the Commission, this Program had also been placed on hold and was unlikely to restart. Some loans had been transferred to debt collectors.
- 5.88** No updates were provided by the Commission on these matters.

Issue (2006)

- 5.89** There were delays in the process through which qualified tenants in urban Barbados acquire lots under the Transfer of Title Program.
- 5.90** The Commission previously reported that Management was unaware of the progress made. Prices had been set for a number of lots and surveying begun in a number of areas.

Commission's Response, 2016:

No updates were provided by the Commission on these matters.



Issue (2006)

- 5.91** Some lands used in the Road Construction Program had been acquired without the permission of the relevant landowners.
- 5.92** The Commission previously reported that payments were still to be made to some landowners, and the lands utilized had not been vested in the Crown. The Commission had written the Ministry of Housing and Lands on the matter, but had not yet received the requisite guidance.
- 5.93** There have been no further updates provided by the Commission on this matter.

Appendix 1

Appendix 2

**OFFICE OF THE
AUDITOR GENERAL**

Financial Statements

March 31, 2016

(expressed in Barbados dollars)

OFFICE OF THE AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT

To the Public Accounts Committee

We have audited the accompanying financial statements of the Office of the Auditor General, which comprise the statement of financial position as of March 31, 2016, the statement of financial performance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

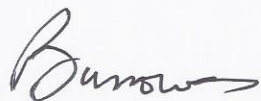
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as of March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).



Chartered Accountants
Bridgetown, Barbados
March 16, 2017

INDEPENDENT AUDITOR'S REPORT

To the Public Accounts Committee

We have audited the accompanying financial statements of the Office of the Auditor General, which comprise the statement of financial position as of March 31, 2016, the statement of financial performance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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Chartered Accountants
Bridgetown, Barbados
March 16, 2017

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Position

As of March 31, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	50	50
	<u>50</u>	<u>50</u>
Non-current assets		
Plant, furniture and equipment (note 4)	33,644	34,885
	<u>33,644</u>	<u>34,885</u>
Total assets	<u>33,694</u>	<u>34,935</u>
Liabilities and general fund		
Current liabilities		
Cash due to Treasury	50	50
	<u>50</u>	<u>50</u>
Non-current liabilities		
Capital contribution (note 6)	33,644	34,885
	<u>33,644</u>	<u>34,885</u>
Total liabilities	<u>33,694</u>	<u>34,935</u>
Net assets	<u>—</u>	<u>—</u>
General fund	<u>—</u>	<u>—</u>

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

Approved by:

Auditor General

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Position

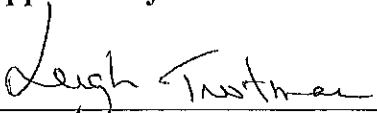
As of March 31, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	50	50
	<u>50</u>	<u>50</u>
Non-current assets		
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Total liabilities	<u>33,694</u>	<u>34,935</u>
Net assets	<u>—</u>	<u>—</u>
General fund	<u>—</u>	<u>—</u>

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

Approved by:



Auditor General

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Performance

For the year ended March 31, 2016

(expressed in Barbados dollars)

	Approved budget 2016	2016 \$	2015 \$
Income			
Government contribution (Head 18)	3,181,675	2,944,370	3,019,370
Total income	3,181,675	2,944,370	3,019,370
Operating expenses			
Statutory personal emoluments	2,189,713	2,031,842	2,135,894
Other personal emoluments	459,814	430,047	362,567
Employers contributions	186,823	182,880	185,349
Travel	30,600	12,306	22,830
Utilities	43,750	43,750	44,042
Library books & publications	2,700	1,856	1,856
Supplies and materials	30,100	26,013	28,210
Maintenance of property	40,100	25,995	19,450
Operating expenses	139,775	88,391	59,601
Contingencies	5,000	3,357	3,577
Subscriptions	3,300	2,455	2,721
Professional services – general	50,000	49,999	1,898
Professional services – statutory	–	45,479	151,375
Total operating expenses	3,181,675	2,944,370	3,019,370
Operating surplus (deficit) before the following items:	–	–	–
Depreciation (note 4)	–	(16,493)	(19,874)
Capital contribution – amortisation (note 6)	–	16,493	19,874
Surplus (deficit) for the year	–	–	–

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

OFFICE OF THE AUDITOR GENERAL

Statement of Cash Flows

For the year ended March 31, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
Cash flows from operating activities		
Surplus (deficit) for the year	—	—
Adjustments for:		
Depreciation	(16,493)	(19,874)
Amortisation of capital contribution	16,493	19,874
	<hr/>	<hr/>
Operating surplus (deficit) before changes in working capital	—	—
	<hr/>	<hr/>
Net cash flows from operating activities	—	—
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of plant, furniture and equipment	(15,252)	(16,260)
	<hr/>	<hr/>
Net cash used in investing activities	(15,252)	(16,260)
	<hr/>	<hr/>
Cash flows from financing activities		
Increase in capital contribution	15,252	16,260
	<hr/>	<hr/>
Net cash from financing activities	15,252	16,260
	<hr/>	<hr/>
Increase in cash during the year	—	—
Cash at the beginning of year	50	50
	<hr/>	<hr/>
Cash at end of year	50	50
	<hr/>	<hr/>

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

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

1. General information

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

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

2. Basis of presentation

a) Basis of measurement

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

The financial statements were approved by the Auditor General on March 16, 2017.

b) Presentation Currency

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

c) Period of reporting

The reporting and budgeting period represented is the financial year April 1, 2015 to March 31, 2016.

d) Measurement Uncertainty

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

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

3. Significant accounting policies

a) Revenue recognition

i) Government Contribution

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

ii) Crown Revenue

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

b) Expenses

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

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

c) Capital Contributions

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

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

d) Plant, furniture and equipment

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

Extract of Sixth Schedule Financial Rules 18 (4) and 47 (1)

Depreciation of Property, plant and equipment

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

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

4. Plant, furniture and equipment

	Property & Plant \$	Machinery & Equipment \$	Furniture & Fittings \$	Computer Software \$	Vehicles \$	Total \$
Cost						
At April 1, 2014	4,314	213,634	11,817	—	42,000	271,765
Additions	—	6,649	3,400	6,211	—	16,260
At April 1, 2015	4,314	220,283	15,217	6,211	42,000	288,025
Additions	—	3,525	11,727	—	—	15,252
As at March 31, 2016	4,314	223,808	26,944	6,211	42,000	303,277
Accumulated depreciation						
At April 1, 2014	4,314	183,121	6,831	—	39,000	233,266
Charge for the year	—	13,394	2,704	776	3,000	19,874
At April 1, 2015	4,314	196,515	9,535	776	42,000	253,140
Charge for the year	—	11,546	3,394	1,553	—	16,493
As at March 31, 2016	4,314	208,061	12,929	2,329	42,000	269,633
Net book value						
As at March 31, 2015	—	23,768	5,682	5,435	—	34,885
As at March 31, 2016	—	15,748	14,014	3,882	—	33,644

OFFICE OF THE AUDITOR GENERAL

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

5. Crown Payables

Crown payables as at March 31, 2016 were \$45,826 (2015 – \$160,852).

6. Capital Contribution

Capital contribution at March 31 is as follows:

	2016 \$	2015 \$
Total capital contributions	288,025	271,765
Amount amortised	(253,140)	(233,266)
Amount unamortised at beginning of year	34,885	38,499
Contribution for the year	15,252	16,260
Amortisation for the year	(16,493)	(19,874)
Amount unamortised at end of year	33,644	34,885
Total capital contributions	303,277	288,025
Amount amortised	(269,633)	(253,140)
Amount unamortised at end of year	33,644	34,885

Budgeted and actual capital contribution for the year 2015-2016:

	Approved Budget 2016	Actual 2016
751 Property and plant	—	—
752 Machinery & equipment	9,000	3,525
753 Furniture & fittings	12,000	11,727
755 Computer software	—	—
756 Vehicles	—	—
Total capital contribution	21,000	15,252

Appendix 2

Results of Survey on Indebtedness of State Agencies

Agencies	Loans	Overdraft	Payables	Pension Liabilities	Pending Legal Obligations	Totals
	\$	\$	\$	\$	\$	\$
BAC	-	-	10,778	-	-	10,778
BADMC	-	572,109	6,645,146	10,552,329	-	17,769,584
BCSL	45,332,147	-	1,227,934	78,759	-	46,638,840
BDF	-	-	951,646	-		951,646
BIDC	38,902,836	-	16,747,943	744,297	-	56,395,076
BNOCL	31,146,496	-	146,454,229	1,202,124	-	178,802,849
BNTCL	78,980,388	-	1,898,489	-	-	80,878,877
BPI	134,580,647	7,217,245	6,273,960	9,756,823	-	157,828,675
BRA	-	-	222,679,000	-	-	222,679,000
BTII	55,000,000	-	1,699,610	-	-	56,699,610
BTPA	-	-	-	-	-	-
BVTB	-	-	267,508	-	-	267,508
CBC	26,232,007	4,930,473	50,504,328	14,597,765		96,264,573
CLSC	-	-	17,267	-	-	17,267
EGFL	-	-	426,301	-	-	426,301
FTC	-	-	55,661	-	-	55,661
FSC	-	-	764,124	640,861	-	1,404,985
GAIA	58,938,973	-	13,809,524	49,830		72,798,327

Agencies	Loans	Overdraft	Payables	Pension Liabilities	Pending Legal Obligations	Total
	\$	\$	\$	\$	\$	\$
GL	-	-	925,926	140,499	-	1,066,425
HRL	80,105,620	-	1,035,364	-	2,182,900	83,323,884
IB	-	-	330,516	-	-	330,516
IBI	-	-	-	-	10,800	10,800
NAB	-	-	195,013	94,069		289,082
NCC	-	-	14,487,849	613,329	1,052,951	16,154,129
NCSA	-	-	94,371	-	-	94,371
NCF	-	-	1,591,288	-	-	1,591,288
NPCL	-	-	33,018	-		33,018
NPC	5,500,614	-	14,886,877	448,639	202,150	21,038,280
QEH	48,865,975	7,418,776	98,835,254	-	39,457,752	194,577,758
SJPP	-	-	916,733	-	-	916,733
SRLF	-	-	194,711	-	-	194,711
TVET	-	-	635,995	-	-	635,995
TB	71,720,540	10,000,000	37,252,218		304,695	119,277,453
Totals	675,306,243	30,138,603	641,848,582	38,919,323	43,211,248	1,429,423,998

List of abbreviations	
BAC	Barbados Accreditation Council
BADMC	Barbados Agricultural Development and Marketing Corporation
BCSL	Barbados Conference Services Ltd.
BDF	Barbados Defence Force
BIDC	Barbados Investment and Development Corporation
BNOCL	Barbados National Oil Company Ltd.
BNTCL	Barbados National Terminal Company Ltd.
BPI	Barbados Port Inc.
BRA	Barbados Revenue Authority
BTII	Barbados Tourism Invest Inc.
BTPA	Barbados Tourism Product Authority
BVTB	Barbados Vocational Training Board
CBC	Caribbean Broadcasting Corporation
CLSC	Community Legal Services Commission
EGFL	Enterprise Growth Fund Limited
FTC	Fair Trading Commission
FSC	Financial Services Commission
GAIA	Grantley Adams International Airport Inc.
GL	Gymnasium Ltd.
HRL	Hotels and Resorts Ltd.
IB	Invest Barbados
IBI	Islandcrafts (Barbados) Inc.
NAB	National Assistance Board
NCC	National Conservation Commission
NCSA	National Council on Substance Abuse
NCF	National Cultural Foundation
NPCL	National Productivity Council
NPC	National Petroleum Corporation
QEH	Queen Elizabeth Hospital
SJPP	Samuel Jackman Prescod Polytechnic
SRLF	Student Revolving Loan Fund
TVET	Technical and Vocational Education and Training (TVET) Council
TB	Transport Board