

BARBADOS AUDIT OFFICE



REPORT

of the

AUDITOR GENERAL

for the year

2009

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, ensure achievement and maintenance of a high standard of auditing and accounting in the public sector, and contribute to the general efficiency and effectiveness of public service financial management.



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



Tel: (246) 426-2537
Fax: (246) 228-2731

26th April 2010

His Honour Mr. Michael Carrington, M.P.
Speaker of the House
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 31st March 2009.

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
Auditor General

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CHAPTER 1

General Audit Issues

Introduction

This is my Annual Report to the House of Assembly for the year 2009. It is issued to fulfill my obligations under Section 38 (1) of the Financial Management and Audit (FMA) Act, 2007 - 11 which states:

"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** I wish to take this opportunity to apologise for the late submission of the Report which was caused by inadequate staff levels, and slow responses from ministries/departments to requests for information, amongst other factors.

Mandate of the Auditor General

- 1.3** This Report is a compilation of the results of the audit of accounts of ministries, departments and other Government agencies in accordance with the provisions of the Financial Management and Audit Act, 2007-11 and the Constitution.
- 1.4** Section 113 of the Constitution of Barbados requires the Auditor General, at least once in every year, to audit and report on the accounts of the Supreme Court, the Senate, the House of Assembly and all departments and offices of the Government. The mandate of the Office is further outlined under Part IV of the Financial Management and Audit Act, hereafter referred to in this Report as the FMA Act. The Section of this Act which sets out the responsibility of the Audit Office is listed at Appendix 1.

not guarantee absolute accuracy of the accounts or the detection of any financial irregularity or loss through fraud or otherwise.

- 1.11** The audits were also designed to evaluate internal controls and, to a limited extent, the efficiency of the use of resources in ministries and departments. Audit findings are discussed with the ministry or department concerned and the audited entity is requested to provide a written response to any matters conveyed in our management letter.
- 1.12** The audits conducted do not in anyway relieve Accounting Officers of their responsibility to ensure that there are adequate internal controls and that the Financial Rules and other regulations are adhered to.
- 1.13** My opinion on the Financial Statements of the Government for the year ended 31st March 2009 is issued, together with the statements, in a separate document.

Audit Methodology

- 1.14** A main function of the Audit Office is to assess whether there has been accountability for public funds. This responsibility is discharged through the conduct of financial audits. This work includes obtaining evidence supporting compliance with Government laws and regulations, and Public Sector Accounting Standards and procedures, in addition to the evaluation of internal controls. In order to provide an independent and professional audit service, the Barbados Audit Office i.e. guided by and adheres to the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards.
- 1.15** Senior Officers in the Audit Office are required to prepare annual audit plans for audits to be undertaken during the calendar year. These include audits of all ministries, departments and certain Statutory Boards. The auditors then seek to provide an overall assurance of the general accuracy and propriety of the financial and accounting transactions.

all Standing Instructions, enactments and other laws of Barbados relating to finance and accounts are strictly observed.

- 1.21** The Auditor General is required to report annually, the results of his examinations of the accounts and any failure to observe the enactments or other laws of Barbados to the Parliament through the Speaker of the House.
- 1.22** The Financial Management and Audit Act requires the Auditor General to draw to the accounting officers' attention any irregularities in the collection, custody or expenditure of public moneys, or any loss of or damage to the property of the Crown. Where the case is considered serious, the matter is to be reported to the Director of Finance and Economic Affairs, who has the power to surcharge officers for any loss or destruction of Government property for which these officers are responsible.
- 1.23** The reports of the Auditor General which have been tabled in the House of Assembly are to be examined by a Select Committee of both Houses of Parliament, the Public Accounts Committee. This committee is then required to report to both Houses of Parliament any matter that it thinks should be drawn to their attention.

Public Accounts Committee Meetings

- 1.24** During 2009, there were two meetings of the Public Accounts Committee. These meetings were held to discuss procedural matters relating to the functioning of the Committee. There were no examinations of reports of the Auditor General during 2009.

General Audit Concerns

Accrual Accounting

- 1.25** In accordance with the Financial Management and Audit Act, the accounts of the Government were reported on an accrual basis from 31st March 2008. These accounts are governed by the International Public Sector

respect to the transitional provisions is however confusing since it does not clearly state the extent to which it has adopted each provision. Unless this basis is clearly understood, users of the financial statements will have great difficulty in understanding them. Certainly the auditor would not be able to ascertain the basis for the figures quoted or their completeness.

Accountability

1.30 Over time I have noted that persons are not being held accountable for actions which result in loss or wastage of Government funds. This is a serious challenge which needs to be addressed by Government.

1.31 Accountability is a relationship based on an obligation to take responsibility for performance. The key to accountability in practice is how those responsible are held to account. When accountability is not working well, there are neither appropriate organisational changes nor consequences for responsible individuals. I have reported on a number of serious matters over time have not been brought to a satisfactory resolution. A number of these matters are reported in Chapter 3.

Outstanding Audits

1.32 I am concerned that the audits of a number of major Statutory Boards remain outstanding for a number of years and this has been a recurring problem. Late financial reporting is contrary to the various legislative mandates under which these entities operate. This can create an environment conducive to misappropriation and fraud, and precludes proper accountability. There seems to be no logical reason why these entities cannot produce financial statements to be audited within six months after the close of the year. Entities which have been significantly late in their financial reporting include the Queen Elizabeth Hospital, National Insurance Fund, Barbados Tourism Authority, Barbados Tourism Investment Inc., Rural and Urban Commissions, Barbados Agricultural Development and Marketing Corporation and the Barbados Water Authority. These are some of the most critical statutory agencies in the

sound and the mandate is comprehensive and the funding appears adequate.

1.36 The review also indicated that the practice of performance auditing has already been established. The Auditor General's Strategic Plan 2008-12 sets out a clear vision and mission and identifies appropriate objectives. There is much good work being carried out and, therefore, a strong base to build upon.

1.37 The review stated that there are a number of areas requiring attention if the Auditor General's credibility is to be maintained and if the vision set out in the strategic plan is to be achieved. These areas include:

- Providing more guidance to staff with respect to documentation standards, file structures and general audit methodologies;
- Developing an on-going training program to ensure that staff at all levels know and understand what is expected of them;
- Establishing a quality assurance function within the Office;
- Designing a multi-year, risk-based project selection process; and
- Resolving the problems surrounding the timely recruitment of staff.

1.38 Over the next few years the British Columbia Audit Office will be working with my Office to improve its standard of auditing. This cooperation will be funded by Canadian International Development Agency (CIDA) in association with the Canadian Comprehensive Audit Foundation (CCAF).

- 1.43** The situation has changed, with the introduction of the Public Service Act posts have to be advertised and this process has proven to be a lengthy exercise. There are currently 30 vacant posts in the Office, including IT Audit Manager, Professional Auditor, and others. During 2008/2009, 25% of our budget was not spent as a result of this situation, which also impacted our ability to complete our work. The current system is too unresponsive and I would like to urge Parliament to delegate this responsibility to my Office, along with the establishment of all the provisions for responsible governance of the Office.
- 1.44** There are twofold consequences of the above. In the first instance, the concept of the independence of the Audit Office has been compromised. The Audit Office has to rely on an entity that it audits for critical resources.
- 1.45** The other consequence of this situation is that the staff shortage has resulted in the Office not being able to fulfill its mandate. This has resulted in the accounts of a number of ministries and departments not being audited during 2008/2009 and this is contrary to the requirements of the Constitution. In addition, a number of special reviews requested by the Ministry of Finance had to be shelved.
- 1.46** The Public Accounts Committee by law is required to consider the resources of the Office and make recommendations when they are inadequate. In this regard, I have been informed that the Committee has made representation to Government that the Office be given delegated responsibility for the recruitment of its staff, and I look forward to a favourable response and a speedy implementation to this proposal.

Attendance at Conferences/Seminars

- 1.47** During the course of the year, a number of Officers attended workshops and conferences and these included the following:-
- 1.48** The Institute of Internal Auditors conducted two workshops for staff during the year, on Report Writing and Risk Base Auditing, as part of the Office's ongoing training activities. Twenty members of staff attended each workshop.

Acknowledgements

- 1.53** Appreciation is extended to members of staff for their support during the year. The support and co-operation of Accounting Officers, Heads of Department, other state agencies and their staff are also appreciated.

Methodology

- 2.4** The audit was conducted in accordance with 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 the evaluation of accounting policies used, as well as evaluating the overall financial statement presentation.

General

- 2.5** The FMAA, enacted in 2007, requires the Government to prepare its financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) set out by the International Federation of Accountants (IFA). The objective of the standards is to enhance the quality and transparency of public sector financial reporting and strengthen confidence in public sector financial management.
- 2.6** One major impact of adopting IPSAS was the requirement to move from the cash basis of accounting to the accrual basis. There were a number of conceptual issues which needed to be resolved prior to the implementation of the accrual system, and these included the identification of the assets to be included in the financial statements, and the valuation method(s) to be employed. In addition, there was a need for clarity over the recognition points for taxes, and the accounting treatment of Government's pension liability. The list of entities which would be included in the Government Consolidated financial statements should also have been determined.
- 2.7** Some of these issues have not yet been properly addressed, as explained in the comments that follow.

- 2.14** I encourage this move but until such time as the Government's financial statements include the financial results and the financial position for the whole of Government, the financial statements will not be in accordance with the International Public Sector Accounting Standards.

Transitional Provisions

- 2.15** The International Public Sector Accounting Standards (IPSAS) offer Governments changing from the cash to accrual basis certain transitional provisions, which allow reporting entities additional time to meet the full requirements of certain standards. There is, however, the stipulation that the entities disclose the extent to which such provisions have been applied.
- 2.16** The Treasury could therefore have chosen these provisions and, in accordance with the standards, disclosed this fact in the notes to the financial statements. There was no indication in the 2007/08 financial statements that transitional arrangements were being adopted. However, in the current year, the Treasury invoked the arrangements retroactively to the 2007/08 financial year.
- 2.17** My concern is that the extent to which these provisions were taken was not stated. Under IPSAS 1, Presentation of Financial Statements, paragraph 132, a reporting entity is required to indicate the extent to which it has applied any transitional provision in any of the International Public Sector Accounting Standards. The absence of this required information makes it difficult to verify balances reported in the financial statements.

Consolidated Cash Flow Statement

- 2.18** The method of arriving at the cash and cash equivalent figure was not in keeping with proper accounting practice as indicated below:-
- (i) The Statement of Financial Performance recorded depreciation expenses as \$45,452,151. However, an amount of \$61,585,478 was used in the preparation of the Consolidated Cash Flow Statement. This Office was informed that the difference of \$16,133,328

Revenue

- 2.20** Revenue under the Accrual System was computed as \$2.622 billion, and this was \$80 million more than was reported in 2008. The main factors responsible for the increase were the rise in investment income which moved from \$34.9 million to \$67 million, and other non-tax revenue which rose from \$46.4 million to \$84 million. Declines were recorded for taxes on income and profits which fell from \$928 to \$893 million.
- 2.21** The change from the cash to accrual basis of accounting requires revenue collection departments to change the way revenue is recorded. Previously, cash received was treated as revenue for the period in which it was collected. The change in the basis of accounting however requires that relevant systems be in place to allocate funds collected on an accrual basis to the relevant accounts, i.e. Revenue, Accounts Receivable or Prepayments depending on the period revenue was due.
- 2.22** The Notes to the Financial Statements indicated that Revenues are recognised in the fiscal year to which they relate. This policy was however still not embraced, as in the departments revenues were accounted for on a cash basis. A major issue was the lack of preparedness of ministries and departments to account for revenue on the accrual basis.

Recommendation

- 2.23** ***As a matter of priority, the Accountant General should work with all Government departments and agencies collecting revenues to ensure that they have the systems and methodologies in place to be able to report their revenues accurately on an accrual basis.***

Revenue Recognition Points

- 2.24** There was some uncertainty about the revenue recognition points as stated in the notes to the financial statements. In respect of the Inland Revenue Department, the Treasury indicated that income tax will be recognised when an individual earns income that is subject to PAYE.

Accounts Receivable

- 2.30** This Office was unable to verify the amount of Net Receivables \$450,298,670 shown on the Statement of Financial Position. In many cases, the individual departments did not provide the relevant information for the Audit Office. Hence it was not possible to verify the amounts in the financial statements.
- 2.31** The accounts receivable of the Inland Revenue Department, including corporation and PAYE taxes collectible, were reported by the Treasury as (net) \$120,675,434. However, the relevant information could not be obtained from the Inland Revenue Department by the Audit Office to verify this amount.

Provision for Bad Debts

- 2.32** A memorandum dated 9th June 2009 from the Director of Finance and Economic Affairs indicated that the policy on provision for bad debts is to provide 2% of estimated revenue for each year, retroactively from 1st April 2007.
- 2.33** With accounts receivable a provision is normally made to accommodate that percentage of receivables which are unlikely to be collected. It is generally a percentage of those receivables. However, with a policy at 2% of revenue, the provision for bad debts could exceed accounts receivable in a few years, and this would not be appropriate. For example, as at 31st March 2009, the balance for corporation tax receivable was stated as \$49.7 million. The provision for bad debts stands at \$35.9 million – 72% of the value of the receivables. A provision for bad debts expense should be based on the percentage of receivables which are unlikely to be collected.

Recommendation

- 2.34** *The policy regarding the calculation of the provision for bad debts should be revised to one that reflects bad debts more appropriately.*

for the year ended 31st March, 2009 were overstated by \$6.1 million in this instance.

Other Revenue Collecting Agencies

- 2.39** The concern relating to the recording of revenue on cash rather than accrual basis was also applicable to other revenue collecting agencies. A greater effort is required for all agencies of Government to establish systems that accurately account for revenue on an accrual basis.

Expenditure

- 2.40** The expenditure for 2008/2009 increased by \$242 million over 2007/2008, rising from \$2.7 billion to \$3 billion. The major factors responsible for the increase in expenditure was a \$59 million increase in Goods and Services, \$95 million provision for Bad Debt Expense and \$95 million increase in Grants. The largest expenditure items continue to be payroll \$808 million, Transfers \$942 million, Goods and Services \$410 million and Debt Service of \$396 million. The total deficit was recorded at \$402 million for the year.

Accrued Expenditure

- 2.41** It was noted that items and services purchased, and salaries and allowances earned during the 2007/2008 financial year were expensed in the year 2008/2009. This was contrary to the accrual basis of accounting which requires expenditure in respect of goods and services to be expensed in the year the activity occurred. In addition, the appropriate accrual was not recorded at the end of the financial year 2009/2010 for services rendered or items delivered but not paid for, in a number of departments.
- 2.42** This situation occurred because in some instances personnel in ministries and departments ignored the requirements of the IPSAS and continued to operate as if under the cash basis. This action resulted in an

- 2.47 It was also noted that inventories held at other ministries and departments, such as the Drug Service, and the Ministries of Agriculture and Public Works and Transport, were not accounted for as inventories in the Government's financial statements but, rather, were treated as expenditure during the year. Therefore, the amount of \$1,190,172 shown as Inventories on the Statement of Financial Position was further understated because of these omissions.

2.48 **Recommendation**

Ministries and departments should be instructed that inventory items be accounted for as such and not written off as expenditure.

Cash

- 2.49 Cash in hand reported for the Post Office was \$2,469,589. This amount was not confirmed by an independent check to attest to its accuracy.

Recommendation

- 2.50 ***In future years, the Accountant General should arrange for independent confirmation of cash in hand at the Post Office and for any other significant amounts of cash at other state agencies.***

Bank Account Reconciliations

- 2.51 For some years, the monthly reconciliations between the Treasury's records and bank statements for its three bank accounts have consistently shown unexplained differences. At 31st March 2009, reconciliation statements of two of these bank accounts showed unexplained differences. No reconciliation was presented for the third account.

Recommendation

- 2.52 ***Steps should be taken to (a) immediately resolve the unexplained reconciliation differences and (b) ensure that reconciliations are***

Recommendation

- 2.56** *The agreement between BTII and the Government should be finalized as soon as possible and the Accountant General should ensure that the amount shown in the Accountant General's records is in agreement with the amount reported by BTII and the transactions leading to this expenditure are in compliance with the FMAA.*

Non-current Assets**Land**

- 2.57** Land is reported on the Government's financial statements at a value of \$1,314,815,285. The Land Tax Department's confirmation of land values as at 31st March 2009, totalled \$1,346,525,125. The land value reported in the Statement of Financial Position was therefore understated by \$44.7 million in this instance. This compares with a reported land value of \$1,009,437,394 for the year ended 31st March 2008.
- 2.58** The Accounting Standards require that when "a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus" in the equity section of the balance sheet. It was however noted that there was a revaluation of properties resulting in a revaluation surplus of \$169.5 million. This revaluation was not disclosed in the financial statements as required.

Recommendation

- 2.59** *A register of land detailing map reference, location, purchase and sale of lands and valuation adjustments should be maintained and kept up-to-date.*
- 2.60** *There needs to be a stated policy on revaluations. The increases in land value as a result of revaluations should be credited to revaluation surplus.*

- 2.65** The disclosure in the notes to the financial statements was inadequate as it did not show any additions to, or disposals of property, plant and equipment for the financial year. This was not in conformity with IPSAS 17 which requires reconciliations of the carrying amount at the beginning and end of the period showing additions, disposals, acquisitions and any increases or decreases resulting from revaluations.

Recommendations

- 2.66** *A full examination should be carried out on Government buildings to confirm their existence and assess the state of the buildings.*
- 2.67** *The basis of the valuation should be clearly stated and a revised list of Government buildings, properly valued should be prepared.*
- 2.68** *The necessary adjustments should be made to the general ledger based on the value of the property.*

Other Assets

Fixed Assets Register

- 2.69** The Smartstream Computer System includes a "Fixed Asset Management Module" which is maintained by the Accountant General. This module is supposed to list all the fixed assets which are located in various ministries and departments.
- 2.70** The module is updated when items are purchased by ministries/departments and paid for by the Treasury. However, no evidence was provided to show that physical checks had been undertaken by the Accountant General to ensure all items recorded in the module actually existed.
- 2.71** In addition, the failure of ministries and departments generally to maintain fixed asset registers with relevant information on cost of items, depreciation expenses and current values, along with the lack of physical checks carried out by the Accountant General, prevented verification of the amount of \$1 billion shown for other assets in the financial statements.

Long-term Liabilities

Tax Refund Certificates

- 2.76** The balance for outstanding Tax Refund Certificates as at 31st March 2009 as per the Treasury records was \$1,526,150. The amount reflected by the Central Bank of Barbados was \$2,337,200. This difference of \$810,950 occurred because certificates issued in January 2009 were not brought to account by the Treasury. Hence, Tax Refund Certificates were understated in Government's financial statements by \$810,950.

Treasury Notes and Debentures

- 2.77** The Government's financial statements showed \$72,045,000 more than the amount reported by the Central Bank for Treasury Notes and Debentures. A reconciliation of the balance as per Central Bank and the Accountant General had not been prepared; this is of concern, given the significant amount of the difference.

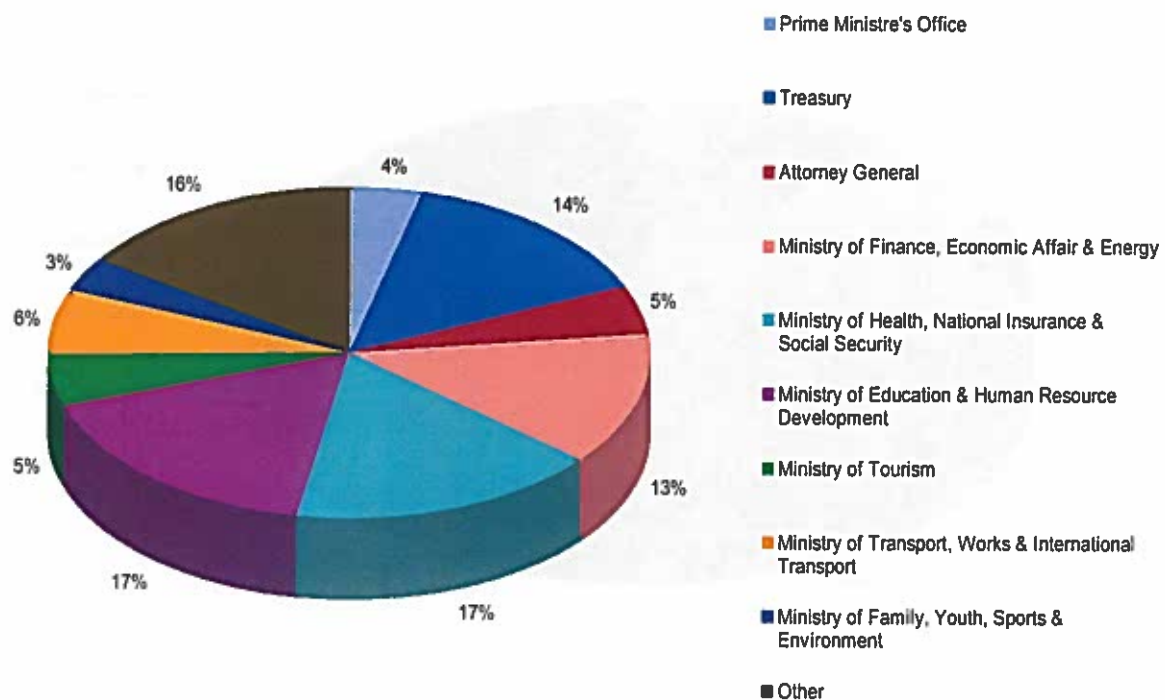
Recommendation

- 2.78** ***The Accountant General should (a) carry out reconciliation of the balances for Treasury notes and debentures shown by the Accountant General's records and the Central Bank of Barbados and (b) carry out reconciliation between the two balances on a regular basis to ensure that correct amounts are recorded in the financial statements.***

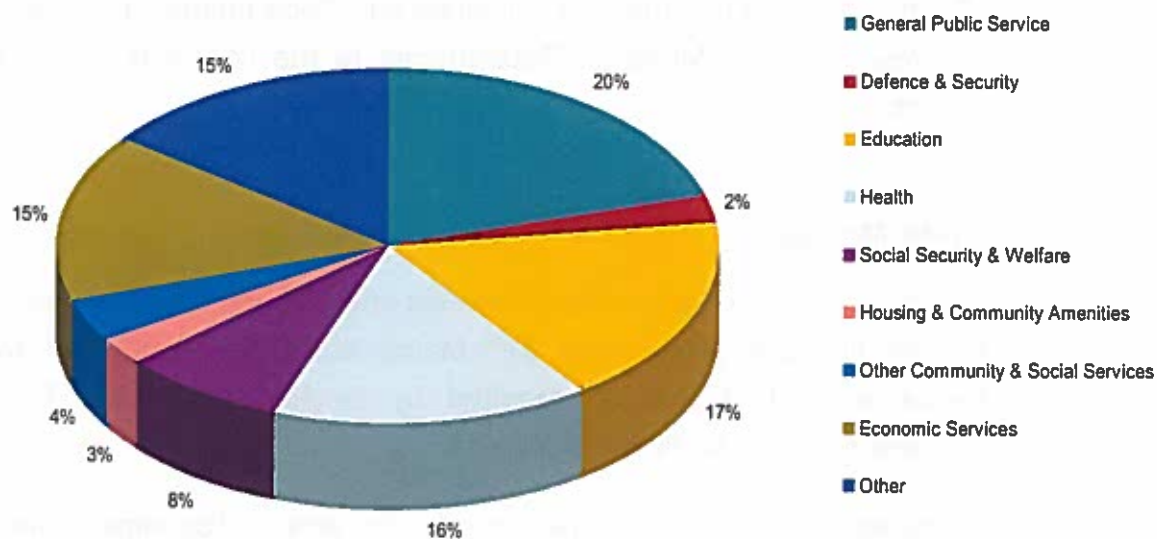
Inter-American Development Bank (IADB)

- 2.79** A comparison of the Inter-American Development Bank (IADB) loan balances and the balances included in the Government's financial statements for the year ended 31st March, 2009 shows differences of approximately \$17 million in the amount of some of the loans.
- 2.80** Reconciliations were not prepared to explain the differences and to allow for the preparation of journal adjustments that may be deemed necessary.

Total Expenditure 2008-2009



Expenditure by Functional Classification 2008-2009



- Immovable and movable property is properly procured, recorded, controlled and appropriately disposed of;
- Public monies are expended economically and efficiently;
- The figures contained in the Revenue and Appropriation accounts are correctly and properly stated.

3.5 Issues and concerns arising out of these audits are reported in the remainder of this chapter.

General

Absence of Fixed Asset Registers

3.6 The accounts of the Government of Barbados are currently reported on an accrual basis. Under this basis of accounting the assets of the Government are reported in the financial statements. In respect of the 2008/2009 financial year the fixed asset component of these assets totaled \$1.3 billion. In order for this figure to be verified by the Audit Office, checks were conducted in the various ministries and departments to ascertain whether the relevant asset registers were in place. These registers should contain a list of assets with their values, through which the figure in the financial statements could be verified.

3.7 Audit enquiries however revealed that up-to-date lists of assets and inventories were not in place at ministries/departments at the time of audit inspection. The ministries/departments need to keep accurate account of their assets, their values and depreciation allowances for reporting purposes under the accrual system of accounting that has been adopted by the Government with effect from 1st April 2007. Instructions from the Ministry of Finance issued to Departments set out the policies regarding fixed assets and depreciation; such instructions should be adhered to in order for the auditors to verify these amounts in the financial statements.

Recommendation

- 3.13** *The record of the Private Overtime account should be structured in a manner that facilitates reconciliation with the Treasury while at the same time clearly identifying any outstanding monies held on behalf of the each company making advanced payments to the Comptroller of Customs, as this represents a liability to the Government.*

Ministry of Education

Audio Visual Aids Department

- 3.14** The Audio Visual Aids Department's activities involve the production of educational resources in various media for use in Primary and Secondary Schools, and Pre-service and in-service training of teachers in Audio Visual Education.
- 3.15** The list of assets prepared by the department was deficient. The cost of items was omitted from the list and in some instances the recorded serial numbers did not match the corresponding serial numbers on the equipment. This matter needs to be corrected since the Department has a considerable amount of assets including vehicles and various types of specialized equipment valued in excess of \$1 million.
- 3.16** A quantity of equipment including laptop computers, camcorders and digital cameras was located off-site. It was explained that some of this equipment was part of a loan scheme and the remainder was stationed at certain locations indefinitely. However, there was no record to show where the equipment was assigned, the date of the assignment or the name and signature of the person accepting responsibility for the equipment.

expenditure, is in breach of Rule 17 of the Financial Rules, which requires that funds voted by Parliament be used only for the purposes intended.

Recommendation

- 3.23** *The Department should adhere to the intent of Parliament and apply funds to the purposes for which they were intended.*

Department's Response

The changes made to Operating Expenses for payment to eight (8) Clerical Officers were correctly made since, like other election workers, the Officers were employed for the election period only, even though they were recruited by the Personnel Administration Division. All payments for election-specific services were made from the election budget in the Operating Expenses vote.

Audit Comments

Notwithstanding the comments of the Chief Electoral Officer, these officers were recruited by the Personnel Administration as temporary Clerical Officers and their salaries should have been met from Item 102 Other Personnel Emoluments.

Election Day Expenses

Police Officers

- 3.24** Police Officers including Island Constables worked and were paid for services rendered during Election Day without verification of the actual hours worked. This occurred because there were no control measures implemented at each voting station to record the actual time worked.

Recommendation

- 3.25** *A register of all persons working on Election Day should be maintained at all polling stations. The time of arrival and departure of*

- 3.29** A payment of \$35,622 to a supplier of sports equipment to the Youth Development Programme for the National Sport Training Programme was made on 13th August, 2008 and duplicated on the 4th December, 2008. The resulting overpayment should be recovered.
- 3.30** Twenty contractors were paid sums totaling in excess of \$1.2 million for demolishing and removing derelict buildings and vehicles during the year. Two contractors received amounts totaling \$167,243.75 and \$124,326.50 respectively without tenders being invited as required by Rule 127 of the Financial Rules. Four others received sums in excess of \$72,000 each without formal contracts being drawn up in the form specified in Rule 126 of the Financial Rules.
- 3.31** It was also noted that there was the engagement of multiple contractors for a single project. This practice provides the opportunity to avoid the process of inviting tenders and circumvent the Financial Rules, and should not be allowed.

Department's Response

Contracts for less than \$20,000 are given two or three times a year at various intervals and therefore should not be seen as one contract. In the past contracts were given to one contractor and the Department had much concerns and difficulties in executing the programme.

- 3.32** It was also noted that a number of payments were made without written contracts as required by the Financial Rules. In one instance it was observed from correspondence of the Solicitor General that because services had already been rendered for the event that no contract could be drawn up.

Department's Response

The long process of finalizing contracts between the Ministry and the Solicitor General's Office causes great concern and delays in the removal process. The Department received many complaints

officers along with a fixed travel allowance. These amounts should be reimbursed by the private establishments in accordance with the Health Services (Assignments of Public Health Inspectors to Private Businesses) Regulations, 1986, Cap. 44. It was however noted that only two of seven establishments were reimbursing the Ministry. The Ministry should take the relevant action to recover the amounts outstanding.

Psychiatric Hospital

- 3.37** The Psychiatric Hospital operates under the Mental Health Act (Cap. 45) and provides treatment and care for patients admitted to the Hospital as well as outpatients.
- 3.38** A credit balance of \$110,721.79 was reflected on the bank statement of the salaries bank account of the Hospital as at 31st March, 2009. It is noted that no further transactions have taken place on this account since that date. However, the status of this account continues to be a cause for concern, as it has not been reconciled for the last four years despite being repeatedly drawn to the attention of the management of the Hospital.
- 3.39** The reconciliation process would help to identify outstanding cheques and determine the reason for the balance on the account.

Hospital's Response

The bank account referred was closed by the Hospital in 2008. However, cheques were presented for payment and the Accountant General was asked to redeposit the funds to cover the overdraft plus outstanding cheques.

This action was taken when the Accountant, despite several requests to reconcile the accounts, did not comply.

The Accounts Section has been instructed to close the account again until an Accountant can be provided to perform the reconciliation.

and a half years continues to be a cause for concern, particularly since the existing arrangement was not agreed to in writing by both parties.

Department's Response

All efforts will be made to re-institute a formal contract between Government and the Private Participating Pharmacies as a matter of urgency.

Children's Development Centre

3.43 The Children's Development Centre is responsible for the provision of services of assessment, education and rehabilitation for disabled children as well as institutional care for other patients.

3.44 A balance of \$4,987.01 was reflected on the bank statement at 31st August 2009 for bank account No. 1282550 which is kept to facilitate donations made directly to the Children's Development Centre. This balance could not be verified, as the related records were not made available for audit inspection. The Coordinator of the Centre indicated to audit personnel that the records were not handed over when the previous Coordinator retired on 31st August 2009. These records were reportedly removed from the premises.

Recommendation

3.45 *This matter should be further investigated to ascertain if Government's funds were properly accounted for and to determine the status of this account. Accounting records should not have been removed from the premises and should have been made available for audit inspection.*

Department's Response

A meeting is being scheduled with the previous Coordinator of the Children's Development Centre to discuss this matter. To date,

Field Audits

- 3.51** The Department conducts a number of field audits on taxpayers. These audits should assist the Department in ensuring that correct taxes are paid, and serve as a deterrent to taxpayers who may be under-reporting or avoiding payment of taxes. There was no stated rationale for the selection of these audits, and this could lead to high risk entities not being audited.

Department's Response

This has been incorporated into the present computerised system. Parameters will be set by the Chief Management Accountant within the electronic audit system which would guide the selection of high risk audits. These parameters will be changed over a time period.

Tax Registrants' Accounts

- 3.52** It was noted that some companies although owing the Inland Revenue Department taxes were issued with refunds. The department should implement adequate internal controls which should ensure that a taxpayer owing taxes is not issued a refund cheque.

Department's Response

This should not occur in the new system as this system automatically offsets taxes owed.

- 3.53** A number of companies submitted TD5 slips for the income year 2007 which were entered into the Department's computer system. The total taxes reported on these slips were calculated and compared to the total amount of money paid in by the tax registrants. There were a number of differences between taxes as per TD5 slips and actual taxes paid.

- 3.54** There was no evidence that these differences were investigated. The department should ensure that these transactions are investigated and appropriate action taken to recover any outstanding amounts.

- 3.60** However, objections outstanding may result in significant amounts of Government funds not being collected as most tax payers do not pay their taxes until objections have been processed.

Accounting Statements

- 3.61** The Financial Management and Audit Act, 2007-11, Section 22:3, requires that in respect of each financial year and within a period of three months after the close of the financial year, collectors of revenue shall prepare, sign and transmit to the Auditor-General approved statements of receipts, revenue, receivables, refunds, waivers and remittances.

- 3.62** Statements of Revenue listed above for the financial year ended 31st March 2009 were not submitted to the Auditor General's Office. Therefore, there was no confirmation of balances of accounts produced by the Department with those stated in the Government financial statements.

Bank Account

- 3.63** The bank account of the Inland Revenue Department as at 31st March 2009 recorded a balance of \$31,399,340.25. This account has not been reconciled for the financial year 2008-2009. This problem has been ongoing for a number of years. It is important that efforts be made to reconcile this account, since it could result in the discovery of errors or abuse resulting in a loss of funds to the Department.

Ministry of Trade, Industry and Commerce

- 3.64** The Ministry of Trade, Industry and Commerce is responsible for the growth and development of the commercial and business sectors, implementing consumer protection policies and programs, ensuring fair competition and other related activities.

Special Audit of The Customs and Excise Department

Background

- 3.69** The Customs and Excise Department falls under Ministry of Finance and Economic Affairs. The core functions of the Department are the protection of the country's national borders through enforcement of the Customs Laws and the collection of government's revenue. This revenue is collected under various legislations, the main ones being the Customs Act, Cap. 66; Excise Tax Act 1996-29; the Excise Tax Act, Cap. 66; the Spirits Act 90B; Environmental Levy Act 1996-8 and Cap. 60 Betting and Gaming Duties (Amendment) Act, 1996-97.
- 3.70** The revenue streams include customs duties, excise, fees and taxes on imported, specified locally manufactured goods and services. Revenue collected by the department for the Financial Year 2008-09 was in excess of Bds \$1 billion.
- 3.71** A review of certain revenue related activities of the Customs and Excise Department was conducted by the Barbados Audit Office; and the findings and recommendations are contained in this Report.

Audit Objectives

- 3.72** The objectives of the this review were to:
- Assess the efficiency of the revenue collection and refund process on excise duties paid on petroleum;
 - Assess whether the Department had effective internal controls over the revenue collection process.

Summary of Main Findings

- 3.76** Audit review of a sample of vehicle imports revealed that forty-one (41) vehicles exited the Port without the payment of the relevant duties. This represents a major breach of the Department's policies and resulted in considerable loss of revenues to the Government. It is recommended this matter be further investigated by the Department, and appropriate action taken against anyone found to be responsible. In addition, the Department needs to put measures in place to avoid a recurrence of such actions.
- 3.77** Suppliers who are contracted to deliver imported goods to the School Meals Department are allowed to import these goods free of duties. However, there is no system in place to monitor the amounts imported by suppliers and ensure that goods allowed duty free status are imported for Government Departments only. As a result various suppliers imported goods in excess of what had been delivered to the School Meals Department.
- 3.78** Some suppliers were using both original and duplicate copies of authorization from the School Meals Department in order to obtain goods duty free. Only the original authorisation is intended to be used by suppliers as a waiver for imported goods, and the duplicate copy should be kept as a personal record. However, these duplicates were used by the suppliers to obtain goods free of duties to which they were not entitled.
- 3.79** The Customs Department should carry out further investigations to strengthen the controls as it relates to these suppliers. Action should also be taken against the relevant suppliers found to be abusing the system.

Recommendation

- 3.87** *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.*

Customs and Excise Department's Response

In 2005 the then Project Team of ASYCUDA (A++) pointed out that the Barbados Port Inc. did not accept the use of the system to indicate that the Customs had cleared the items. As a result a hybrid system existed where the Customs was forced to employ officers to clear the items exiting the Port whilst stamping with a rubber stamp a copy of the Bill of Lading (BL) for the Barbados Port Inc.

The practice was contrary to the procedures set out in our manual which states that the Custodian of the goods is authorised to grant an Exit Note whenever the Officer indicates in the system that the goods are cleared. It further states that where there is a system of verification at the exit gates, then the goods may not exit, until the Officer or Guard at the exit gate has verified that the goods can exit.

We are aware that some problems existed between the two IT divisions of the Customs and the Port. However, we made repeated efforts to highlight the ease with which it was possible for anyone to obtain a rubber stamp and apply it to a BL and clear any item out of the Port. Most of these items were cleared without knowledge of Customs.

We were able to implement a system in December 2008 which allowed the Office or Guard at the exit gate to verify that the goods can exit. The incidence of goods leaving the Port without being cleared should now be considerably reduced. However, we are

- 3.92** A company was contracted to supply the School Meals Department with 17,025 kgs of onions and 3,745 kgs of cabbage for the academic year 2007-2008. However, the ASYCUDA ++ System showed excesses for the academic year ended July 2008. Approximately 309,308 kgs of onions and 134,951.31 kgs of cabbage were imported as consigned to the School Meals Department by this company.
- 3.93** The above was facilitated by the suppliers using import waiver certificates stamped "copy" to obtain additional goods duty free to which they were not entitled. The School Meals Department issued the original certificates for clearing goods and the copy for the suppliers' records.

Customs and Excise Department's Response

The Customs honours certificates for duty-free concessions from several agencies whether government, manufactures or other private institutions.

The legislation usually states that the CEO or Secretary shall sign such certificates. It is not possible to check every concession at the ports of entry and officers usually rely on historic compliance to decide what needs a through examination.

Action has already been taken against a company in the matter of the School Meals Department and further investigations are continuing. We have instructed that copies of the certificates should not be taken but the School Meals is responsible for monitoring the balances and ensuring that no certificates are signed in excess of the amounts contracted.

We will continue our investigation in the matter of the School Meals Department. You may also note that our Post Audit Unit will be auditing the imports of the various entities.

- 3.98** As a consequence, suppliers were able to consign commodities to the School Meals Department that were not contracted, resulting in non-payment of the relevant duties. In addition, to the financial implications of this matter, the inadequacy of the controls governing this process is a cause for concern since it allows for fraud and other forms of abuse of the system.

Recommendations

- 3.99** *The Customs and Excise Department should not accept copies of duty free certificates from suppliers to clear goods.*
- 3.100** *The Department should ensure that only goods being used in the operations of the School Meals Department are allowed duty free access. In this regard the controls over the use of waivers need to be strengthened. Persons found abusing the system should be held accountable.*
- 3.101** *The School Meals Department should only issue certificates in respect of goods required for that Department.*

Import Duties - Fruits and Vegetables

Misclassification of Imports

- 3.102** There were instances where the description of the goods as recorded on the health certificate accompanying the import differed from the information contained in the ASYCUDA++ System. From a sample of seventy-six (76) entries examined, 95% showed a difference between the description on the accompanying certificate and the information recorded on the invoice.
- 3.103** For example, a total of 619,394.8 kgs of fruit and vegetables with a declared value of \$3,263,874.87 was imported and reported as salt-fish in the 2007-2009 period by two suppliers. It should be noted that the duties on salt-fish are lower than those on fruit and vegetables.

- 3.107** Under the Betting and Gaming Duties Act, Cap. 60, the Comptroller of Customs granted a license for importation of the machines after authorisation was granted by the Betting and Gaming Committee. The machines were not released immediately because of a restriction by the Committee that they should only be placed where existing slot machines are legally located i.e. hotels and arcades.
- 3.108** In a letter dated the 9th May 2008 to the Comptroller of Customs, the Chairman of the Committee rescinded that restriction after the Ministry of Finance took an administrative decision to allow the importers access to the machines to remove the apertures used for the insertion of money.
- 3.109** The removal of the apertures allowed the owners to deploy the machines around Barbados at areas other than hotels and arcades. Normally these video lottery terminals are required to pay an annual license fee of \$15,000.
- 3.110** The effect of removing apertures from these video lottery terminals is unclear in terms of how they are being classified and what annual license fees should be paid for them. There are currently no license fees paid on these machines.

Customs and Excise Department's Response

The matter of the video Lottery Terminals is engaging the new Betting and Gaming Committee.

Refund of Excise Duties on Petroleum

- 3.111** Under the Excise Tax Act 1996-29, manufacturers and individuals – fishermen are entitled to purchase industrial diesel duty free at a rate lower than that of fuel for road vehicles. These persons must however be registered with the Customs and Excise Department.

Recommendations

- 3.115** *The Customs and Excise Department should ensure that only those firms that are registered and entitled to refunds should receive them.*
- 3.116** *The practice of one officer carrying out a series of related functions in the processing of claims for refunds should be discontinued, and as far as possible the work performed by one officer should be checked and verified by another.*

Customs and Excise Department's Response

The practice of one officer dealing with Petroleum is not the norm. There was always a separate officer dealing with the retailers and refunds. If the procedure has not been followed then it would immediately be rectified.

Delays in the Auctioning of Goods

- 3.117** According to Section 167 of the Customs Act, warehoused goods may be kept in the warehouse in which they were deposited for a period of two years unless granted further extension by the Comptroller of Customs. If the goods are not removed within the prescribed time, they should be advertised in the Official Gazette, removed to the Queen's Warehouse and sold within one month of advertisement by public auction. The proceeds of the sale would then be applied to duties, rents and any other expenses payable to the Crown.
- 3.118** A review of the relevant documentation highlighted instances where goods were warehoused for more than two years, some since 2005. This is inconsistent with Section 167 of the Customs Act.

Recommendation

- 3.119** *The Department should take steps to have these goods auctioned, as legislated in Section 169 (1) of Cap. 66 of the Laws of Barbados.*

- 3.122 The School Meals Department was asked to provide a response to issues raised in the report. The response from this Department was as follows:

School Meals Department's Response

The full amount of supplies needed to service the menu is not put in the tender document. When the full amount is included and all the goods are not used at the end of the contract period suppliers insist on the Department taking the supplies as per the contract.

This Department previously issued Duty Free letters in duplicate to suppliers of goods to the School Meals Service. It was discovered that the duplicates which were intended for their records were presented and processed by the Customs Department thus some excess of goods might have been acquired through this process.

It is possible that suppliers on requesting duty free letters from this Department would have placed non-contracted goods amongst their request, regrettably owing to an act of negligence; letters would have also been completed for these goods.

The perishable nature of vegetables warranted request for duty free letters on a weekly basis. These frequent requests for letters could have led to the excess, owing to the repetitiveness of the use of some vegetables.

It is regretted that duty free certificates issued by this Department in "uberrima fides" (utmost good faith) appear to have been misused.

Ministry's Update

The Solicitor General has requested information on this matter to help make a decision as to what action should be taken regarding the stalls at Speightstown.

Repairs to Veterinary Laboratory

3.127 The Ministry awarded a contract to a construction company to repair the roof of the building housing the Veterinary Laboratory and the Animal Nutrition Unit for the sum of \$98,679.78 VAT inclusive. This contract was due to commence on the 12th August 2004 and the date of completion should have been 30th March 2005. Clause 2 of the agreement stated that there should be no variation of the price unless agreed to by both parties in writing and signed on their behalf.

3.128 However, at the start of the project the contractor submitted a variation for \$89,867.14 for the removal and carting away of the existing roof, resulting in a project cost of \$188,546.

Ministry's Update

The Solicitor General has requested that the Ministry of Agriculture provide information regarding the outstanding fees for repairs to the roof.

The Ministry of Public Works recently assigned an officer to investigate the matter relating to the repairs to the roof at the Veterinary Laboratory. The officer will investigate whether monies are still owed to the contractor. This matter is therefore receiving active consideration.

Renovation of Roof of Oistins' Fish Market

3.129 The renovation to the roof of the Oistins' Fish Market was originally contracted to cost \$883,888.16 VAT inclusive. This project had cost overruns of nearly 100%, bringing the total cost of construction to

Ministry in this regard. The contractor also claimed additional expenses for insurance of the building site, although this was the contractor's responsibility. This contractor received \$12,500 for performance bond expenses and \$20,000 for insurance, to which he was not entitled.

Ministry's Update

From reviewing the file, it appears that the findings of the Auditor General are accurate. Specific instructions will therefore be needed regarding how this matter should be pursued.

Barbados Industrial Development Corporation

Newton Business Park

3.133 A subsidiary of the Barbados Investment Development Corporation had contracted a firm to construct two buildings at the Newton Business Park complex for \$18.5 million. The contract was brought to an end in March 2007 after poor quality work had been discovered.

3.134 It should also be noted that the full contracted price was paid to the contractor although the work on the buildings was not completed. The BIDC commissioned an independent consultant who determined that there were defects in the work and indicated that the cost to correct and complete the work was in excess of \$7 million.

Corporation's Update

The BIDC has retained the service of an attorney at law and is currently taking legal action against the company to recover damages. The buildings have been sold to one of our clients for \$32 million.

forwarded to the Permanent Secretary for submission to the Solicitor General to take the appropriate action against the Contractor.

Department of Corporate Affairs and Intellectual Property

Transfer of Shares in Commercial Bank

- 3.138** An application for adjudication was made in July 2004 by a company which was desirous of transferring 25,000,000 shares in a commercial bank to another bank. In this regard an advance payment of \$3,806,250 in respect of Property Transfer Tax was made in July 2004.
- 3.139** The valuation of the shares was carried out in August 2006, when they were each valued at \$2.10. This action resulted in an additional \$652,500 in Property Transfer Tax and Stamp Duty payable to the Government.
- 3.140** The Department of Corporate Affairs and Intellectual Property had indicated that it has no authority to compel a transferor to complete a given transaction. A transferor is clearly within his right to change his mind with respect to the transfer of shares after a valuation has been received. If however, the Instrument of transfer is not adjudicated then the title does not pass.
- 3.141** This matter remains outstanding and the \$3.8 million paid should be reported as prepayment.

The Rural Development Commission (RDC)

Rural Enterprise Fund

- 3.142** A Rural Enterprise Fund was established by the Rural Commission with the stated aims of reducing employment in the rural areas through the establishment of micro businesses. In my 2006 Report, I indicated that the

Urban Development Commission (UDC)

Housing Loan Programme

- 3.150** In my 2004 Report, I had indicated that 82% of the loans under the Housing Loan Programme were in arrears. At that time \$2.2 million in loans had been disbursed.
- 3.151** The Commission has reported that the Housing Loan Programme which involved loans to individuals for house construction has been put on hold indefinitely.
- 3.152** Management of the Commission has reported that there continues to be a high loan delinquency with this programme. As a result two officers have been assigned to work directly in the collection of loan payments.

Enterprise Loan Programme

- 3.153** In 2004 over \$4.2 million was disbursed to individuals to assist with the establishment or maintenance of businesses. Many of those persons granted loans made no repayment or provided security for the loans. Letters were sent and calls were made to delinquent clients, but responses were minimal.
- 3.154** The Commission has indicated that this programme which involves the granting of loans to individuals for business related activity has also been placed on hold and is very unlikely to restart. Some loans were transferred to debt collectors for necessary recovery.

Poverty Eradication Program

- 3.155** The Poverty Eradication Program involved repairs to and construction of homes for the needy. In 2005, a special audit revealed that in excess of \$30 million had been spent on this programme at that time.
- 3.156** Management of the Commission has indicated that this Programme has been on hold since 2009. The funds for this programme were provided by

Road Construction Program

- 3.162** The Special Report had indicated that some lands used in the Road Construction Program were acquired without the permission of the relevant landowners.
- 3.163** When contacted, the Commission reported that payments were still to be made to some owners of land used in building roads, while the lands utilised had not been vested in the Crown. The Commission also reported that it wrote the Ministry of Housing and Lands on this matter, but had not yet received the requisite guidance on how to proceed.

been taken in this regards the current situation does not allow for adequate accountability of the organization's funds.

Barbados Community College

- 4.5 The audit of the accounts of the Barbados Community College is conducted in accordance with Section 10 (1) of the Barbados Community College Act, Cap. 36. The audit of the accounts of the College is currently in arrears. The accounts for the financial years ended 31st March 2005 and 2006 were conducted during 2008 but were not finalized until 2010 because of an omission in the accounts. This matter should have been handled more expeditiously. As a result the accounts for the financial years ended 31st March 2007-2009 are in arrears. These audits should commence in 2010 once the relevant statements are submitted to the Audit Office.

Barbados Defence Force

- 4.6 The accounts of the Barbados Defence Force for the financial year ended 31st March 2009 were audited. No material errors were found during the course of the audit.

Barbados Hospitality Institute

- 4.7 The Barbados Hospitality Institute, which falls under the Barbados Community College, conducts training for persons in the hospitality industry. The audit of the accounts of the Institute is currently in arrears. The accounts for the financial years ended 31st March 2006 and 2007 have been submitted and are currently being audited. The accounts for 2007/2008 and 2008/2009 financial years have not been submitted for audit.

Barbados Liaison Service - Miami

- 4.8 The Barbados Liaison Service in Miami administers a program relating to workers recruited in Barbados for attachment to hotels in the USA. The audit for the financial years 2005/2006 to 2008/2009 are outstanding.

Central Emergency Relief Fund

- 4.13 The Auditor General is required under Section 14 of the Central Emergency Relief Scheme to audit the statements of income and expenditure of the Central Emergency Relief Fund. The accounts for the financial years ended 31st December 2006 to 2010 were not submitted for audit during the year, and these audits therefore remain outstanding.

Central Liaison Service

- 4.14 The Central Liaison Service (Regional Security System) is an organization supported by certain Caribbean countries. Its purposes include assisting with the fight against illegal narcotics, assisting with relevant emergencies and combating threats to national security in member states. The accounts of the Central Liaison Service for the financial years 2007/2008 and 2008/2009 have been audited and a report will be issued shortly.

Community Legal Services Commission

- 4.15 The Community Legal Services Commission provides legal aid to persons in the community who meet certain criteria. The accounts of the Commission for the financial year ended 31st March 2009 have not been submitted and are currently outstanding.

Erdiston Teachers' Training College

- 4.16 The accounts of the Erdiston Teachers' Training College are currently in arrears. The audit of the accounts for the financial year ended 31st March 2008 has been completed. The accounts for 2009 have been submitted to the Audit Office and will be audited during 2010.

Land Reclaimers Limited

- 4.17 The Land Reclaimers Limited has ceased operating as a company in 2002. As I have stated in previous reports any outstanding funds relating to this entity should be paid over to the shareholders.

Public Enterprise Investment Fund

- 4.23** The Public Enterprise Investment Fund (PEIF) was established by legislation to receive revenues representing the proceeds from the disposal of an enterprise or shares or any other interests in an enterprise owned by Government, and to apply such resources to finance the repayment of public debt, rehabilitation of enterprises in the public sector and specific investment projects.
- 4.24** It is the opinion of the Solicitor General that the fund cannot hold securities and other financial assets in its own right. This would indicate that the assets and liabilities of the fund should be included in Government accounts. In spite of the Solicitor General's opinion, the Treasury prepared the financial statements for 2009 inclusive of the assets and liabilities generated by the Fund.
- 4.25** Notwithstanding the above, the following errors and omissions were noted in the accounts presented:-

Investments

- 4.26** Investments shown were overstated by \$15,081,726 as a result of the following:
- (a) Tourism Loan Fund
- An amount of \$10,169,313 was incorrectly stated as an investment in the Tourism Loan Fund. In accordance with the Ministry of Finance's memorandum reference number 5490/3/1 dated 17th September 2002, the funds were provided to repay a loan made in respect of the National Emergency Economic and Financial Programme. The payment should therefore be classified as expenditure rather than an investment.
- (b) Hotel & Resorts Ltd.
- Investment in Hotel & Resorts was overstated by \$4,912,412. The amount of \$18,912,413 reflected in the financial statements should have been

Sanitation Service Authority

- 4.32 The accounts of the Sanitation Service Authority for the financial year ended 31st March 2008 were audited during the course of the year. No material errors were discovered in the financial statements during the course of the audit. The audit of the accounts for the financial year ended 31st March 2009 has not been submitted for audit. The audit of the accounts of the Authority for the financial year 2008/2009 is therefore outstanding.

Severance Payment Fund

- 4.33 The audit of the accounts of the Severance Payment Fund for the financial year ended 31st December 2006 was completed during 2009 and a report will be issued shortly. The accounts for the financial year ended 31st December 2007 to 2008 have been submitted for audits. These accounts will be audited in 2010.

Social Investment Fund

- 4.34 The accounts of the Social Investment Fund for the financial year ended 31st March 2009 have been audited as required by Section 9 of the Social Investment Act. No material errors in the financial statements were discovered during the course of the audit.

Sugar Factory Smoke Control Board

- 4.35 The Revenue and Expenditure Accounts of the Sugar Factory Smoke Control Board for the years ended 31st December 2001 to 2009 have not been submitted in accordance with Section 3 (11) of the Registered Sugar Factories Smoke Control Act, Cap. 355. The audit of these accounts therefore remains outstanding.

Unemployment Fund

- 4.41** The audit of the accounts of the Unemployment Fund for the financial year ended 31st December 2006 was completed during 2009 and a report will be issued shortly. The accounts for the financial year ended 31st December 2007 to 2008 have been submitted for audits. These accounts will be audited in 2010.

Barbados Conference Services Ltd

- 4.46 The Barbados Conference Services Ltd (BCSL) is responsible for the operations of Sherbourne Conference Centre and provides destination management and transport services under the brand names, Horizon Events Planners and Horizon Coaches and Tours respectively. Audit of the accounts for the financial year ended 31st March 2009 has been completed.

Barbados Investment and Development Corporation

- 4.47 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. Audit of the accounts for the financial year ended 31st March 2009 was completed.

Barbados National Oil Company Limited

- 4.48 The Barbados National Oil Company Ltd (BNOC), through its wholly owned subsidiary is involved in the exploration and production of crude oil, natural gas and liquefied petroleum gas (LPG). The BNOC is also engaged in the processing of crude oil and the sale of petroleum products to the Barbados market. Audit of the accounts for the financial year ended 31st March 2009 have been completed.

Barbados National Productivity Council

- 4.49 The principal activity of the Barbados National Productivity Council (BNPC) is 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. Audit of the accounts for the financial year ended 31st March 2009 has been completed.

- 4.55** The Board has reported that the audit of accounts for the financial year ended 31st March 2006 is to be finalised by the auditors. The audits for the financial years ended 31st March 2007, 2008 and 2009 are therefore outstanding.

Barbados Water Authority

- 4.56** The Barbados Water Authority (BWA) was established by the Barbados Water Authority Act 1980 - 42 to take over the functions, rights and liabilities of the Waterworks Department on the "appointed day", which is regarded as 1st April 1981.
- 4.57** The Barbados Water Authority has indicated that the financial statements for the period ended 31st March 2007 are currently being audited; and the draft financial statements for 2008 and 2009 will be completed in February and March 2010, respectively. The BWA has also indicated that a team has been assigned to complete the statements.

Caribbean Broadcasting Corporation

- 4.58** The principal activity of the Caribbean Broadcasting Corporation (CBC) is the provision of broadcasting services through radio and television. The Corporation has indicated that the financial statements for 2008/09 have been completed, and are to be laid in Parliament.

Caves of Barbados Limited

- 4.59** Caves of Barbados Ltd is mandated under the Caves Act 2000 - 12 to manage and develop Harrison's Cave and any other caves in Barbados. The entity has indicated that the audit of the accounts for the financial year ended 31st December 2007 and 2008 have been completed. The audit of the financial statements for the year 2008/2009 is currently being worked on.

indicated that the financial statements for the year ended 30th June 2009 are currently being finalised.

Hotels and Resorts Limited

- 4.64** Hotels and Resorts Ltd. was incorporated under the Laws of Barbados on 27th December 1995. The principal activity of Hotels and Resorts Ltd. is the investment in and development of hotel premises. The audit of the accounts for the financial years ended 31st December 2006 and 2007 have been completed. Hotels and Resorts Ltd. has indicated that the audits for 2008 and 2009 will commence in 2010.

Islandcrafts (Barbados) Inc.

- 4.65** The principal activity of Islandcrafts (Barbados) inc. is the sale and marketing of indigenous handicraft items. The audit of the accounts was completed up to the financial year 2005. The entity has indicated that the audit of the accounts for the financial year 2006 is currently being worked on.

National Conservation Commission (NCC)

- 4.66** The principal activity of the National Conservation Commission (NCC) is the management, maintenance and development of the public parks, beaches and open areas of Barbados. Audits of the accounts of the Commission have been completed up to the financial year ended 31st March 2006. The NCC has indicated that the auditors are currently working on the draft statement for the financial year ended 31st March 2007. Once completed the audit of the financial statements for the year 2007/2008 will commence.

National Council on Substance Abuse

- 4.67** 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. The NCSA has submitted completed financial statements for the year ending 31st March 2006 and 2007. Audits

financial statements for the year ended 31st March 2009 have been completed.

Queen Elizabeth Hospital

- 4.73 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. Audit of the accounts of the QEH has been completed for the financial year ended 31st March 2004. The Hospital has indicated that the audit for the financial year ended March 31st 2005 is currently in progress.

Rural Development Commission

- 4.74 The Rural Development Commission (RDC) was incorporated on 21st August 1995 under the Rural Development Commission Act 1995-12. Its principal activity is to improve the quality of life of persons living in rural communities in Barbados.
- 4.75 The Commission has reported that financial statements for years ending 31st March 2005 and 2006 are in draft form and work is ongoing on 2007.

The Securities Commission

- 4.76 The Securities Commission's principal activities are to maintain surveillance over the securities market in order to ensure that fair, equitable and proper practices are maintained, and to act as a regulatory body over all organizations involved in the business of securities, so as to protect the rights of the investing public. The audited accounts for the financial years ended 31st March 2009 have been submitted to the Audit Office.

Student Revolving Loan Fund

- 4.77 The principal activity of the Student Revolving Loan Fund (SRLF) is to assist in the educational process through the provision of loans. SRLF has

Audit of Secondary Schools

- 4.82** Section 20 (1) (b) of the Education Act requires that the audited accounts of secondary schools be submitted to the Minister not later than six months after the close of the financial year which ends on the 31st March. The status of the accounts of these schools at 31st December 2009 was as follows:

Alexandra School

- 4.83** The audit of the accounts of the Alexandra School has been completed for the financial years ended 31st March 2009. The accounts of this school are therefore up-to-date as required by the Education Act.

Alleyne School

- 4.84** The audit of the accounts of the Alleyne School has been completed for the financial year ended 31st March 2009. The accounts of this school are therefore up-to-date as required by the Education Act.

Alma Parris Memorial Secondary School

- 4.85** The audit of the accounts of the Alma Parris Memorial Secondary School has been completed for the financial year ended 31st March 2009. The accounts of this school are therefore up-to-date as required by the Education Act.

Christ Church Foundation School

- 4.86** The audit of the accounts of the Christ Church Foundation School has been completed for the financial year ended 31st March 2008. The audit for the financial year ended 31st March 2009 is currently outstanding.

Harrison College

- 4.93 The audit of the accounts of Harrison College has been completed for the year ended 31st March 2009. The accounts of this school are therefore up-to-date as required by the Education Act.

Lester Vaughan School

- 4.94 The audited accounts of the Lester Vaughan School for the financial year ended 31st March 2008 were submitted to the Audit Office. The school has indicated that the audit of accounts for the financial year ended 31st March 2009 is completed, and it is currently awaiting the audited report from the auditors.

Lodge School

- 4.95 The audit of the accounts of the Lodge School has been completed for the financial year 2008-2009. The accounts of this school are therefore up-to-date as required by the Education Act.

Parkinson Memorial School

- 4.96 The audit of the accounts of the Parkinson Memorial School has been completed for the financial year ended 31st March 2009. The accounts of this school are therefore up-to-date as required by the Education Act.

Princess Margaret Secondary School

- 4.97 The audit of the accounts of the Princess Margaret Secondary School has been completed for the financial year ended 31st March 2008. Audit for the financial year ended 31st March 2009 is currently outstanding.

St. Michael School

- 4.104** The audit of the accounts of the St. Michael School has been completed for the financial year ended 31st March 2009. The accounts of this school are therefore up-to-date as required by the Education Act.

- 5.6** Invitation letters were sent in December 2004 to the seven firms which had submitted proposals in 2002 for the design and supervision of a project to widen a section of the Highway. These firms were given five weeks to submit proposals for the BRNIIP, which was a new type of project to Barbados, and required considerable financing. The choice of firms requested to submit bids was too restricted, and it was therefore not surprising that only one of the seven submitted proposals for the Project.

Time Scale for Responses

- 5.7** The time period allotted for response was too short given the nature of the requested proposal. The limited time factor eliminated some companies as indicated by their responses. The effect of the limitation was to reduce competition pressures and eliminate alternative technical approaches, both of which would have been powerful levers for achieving better Value-For-Money (VFM).

- 5.8** The report of the Evaluation Committee (a committee formed by the Ministry of Public Works to evaluate the proposals) indicated that the US based firm was also invited to tender for the project. However, no documented evidence of this firm's invitation was seen. The Committee reported that a proposal was received from this firm on 15th December 2004. This would have been eight days before the invitation letter was issued to the other bidders. This raises questions about the integrity of the tendering process.

Non-conforming Bids

- 5.9** The scope of the Project included the widening of the Highway from the D'Arcy Scott Roundabout to the Garfield Sobers Roundabout, and the construction of overpass bridges along this section of the Highway. The proposals submitted by the bidders were not made available to the Audit Office. However, subsequent documentation submitted by the contracted firm indicated that it had proposed the construction of seven overpasses, and the widening of a section of the Highway, between the Norman Niles and Clyde Walcott Roundabouts, and at the locations of the overpasses.

commence without completion of the designs or calculation of the total cost.

5.15 The Ministry stated in a paper to Cabinet,

"If physical construction begins prior to the removal of all encumbrances from the road corridor, the Government of Barbados can become susceptible to being charged for delays by the contractor. Furthermore, the rolling basis procedure significantly reduces the Ministry's control of the project and has the potential propensity to increase the length of the contract and can therefore create a larger project cost. The Ministry does not recommend this approach and does not have permission to accept a modification of the terms of the Memorandum of Understanding as proposed".

5.16 Subsequently, the Ministry changed its opinion on the matter, and agreed to a Supplemented MOU in order for work to commence. In this arrangement, the contracting firm was given permission to provide road widening designs on a rolling (or ongoing) basis, that is, designs would be completed for a segment of the Project and work would commence while designs for the other segment were being worked upon.

Audit Comment

5.17 It is not clear why there was such a substantial change in the opinion of the Ministry with regard to commencing construction, bearing in mind that the completion of the designs and calculation of the complete costs were not going to be satisfied before commencement of construction. In addition, the original completion date could not be achieved, and as a result the Ministry should have re-evaluated the Project at this stage with a view to determining the best route forward - whether to abandon the current MOU with the contractor and send the Project back out to tender, or await final designs and a contract cost.

(MOF) held discussions with this financial institution, which was eventually chosen as financier. During these discussions, this financial institution indicated a willingness to provide funding to the eventual contractor to commence construction.

- 5.22** Financing for this Project was provided by a local banking institution through a Special Purpose Vehicle (SPV) (a company created by the banking institution to manage the project). The funding was facilitated by bridging finance and commercial paper secured through letters of comfort issued by the Government of Barbados. As a result, the financing risks were placed on the Government.

Audit Comment

- 5.23** It seems unusual that discussions would be held with a financier prior to the letters of invitation being issued for the Project, since the proposed financing terms should have been included in the bidder's proposal, and therefore determined through the competitive process.

- 5.24** In addition, some of the benefits associated with PPPs, such as the increased sharing of risks between the Government and the contractor, were eliminated as a result of the financing risks being borne by Government. As the Project progressed it became unclear whether the contracted firm was still responsible for providing the financing.

Conclusions and Recommendations

- 5.25** Another short-coming with regard to the project was the unfamiliarity of the Ministry with the BOLT process. Its capacity to make good decisions would have been improved through the use of some external expertise familiar with the PPP arrangement.

- 5.26** The over-riding message for any Ministry that invests in a major project is to have sound and enforceable contractual arrangements – to enable the contractor to be held accountable. Ministries should also ensure that they obtain technical advice on areas in which they do not have expertise, such as BOLT arrangements.

Information Technology Procurement at the National Insurance Department

- 5.27** The National Insurance Department administers a number of funds which include the Severance, Unemployment and the National Insurance Funds. Through these funds the Department delivers a broad range of income-related benefits to citizens of Barbados. The Department employs approximately 260 persons and its annual receipts into these funds are in excess of Bds \$450 million, with total assets in excess of \$1.5 billion.
- 5.28** The Information Technology Project was developed between 2001 and 2003 as a way to improve the quality and effectiveness of the Department's information technology, which is required for the collection of contributions, the payment of benefits and increasingly for all other aspects of day-to-day business. The intention was to replace a number of existing computer systems with a single, up-to-date system through which all of these activities could be managed.
- 5.29** An independent assessment of the information technology infrastructure concluded that the current systems were inappropriate to meet the demands of the Department, and recommended an enterprise-wide application to manage all of its day-to-day operations. It was recommended that the Department acquire this solution from a vendor and customize it to the Department's requirements.
- 5.30** Tenders were invited to provide the recommended solution, and five bids were received. Eventually, the proposal from one of the companies was accepted, and it was estimated that the cost of the project would be Bds \$12.6 million over a two year period from 2003 to 2005.
- 5.31** The successful bid was submitted jointly between a German company and its partner based in the United States. However, the affiliated partner played a major role in implementing the enterprise-wide system. Considerable work had to be done to configure the standard software to meet the Department's needs. Essentially, this project was a business reengineering of the work flow of the Department, requiring the existing

Project Modules

5.36 Phase 1 of the project which was scheduled to be completed in January 2004 consisted of the implementation of a number of modules and these included registration, contribution, benefits and financial. The modules developed in Phase 1 were implemented in January 2004 as scheduled but there were a number of problems encountered, including data conversion issues.

5.37 In addition, some of the modules were not completed as scheduled, with one being postponed. The financial module, which was not operating as expected, was designed to report the system of accounts on an accrual basis, and the Department has continued to report its contributions on a modified cash basis.

Audit Comment

5.38 In retrospect, the Department should have sought to implement fewer modules and conducted a more extensive period of testing.

Project Contract

5.39 The contract called for the company to be paid on a time and materials basis, a payment method that is based on the direct labour hours and materials utilised in the project. The direct labour hours would be charged at specified fixed rates. The payments to the company have escalated because of a number of factors. In some instances the modules required modifications after the blue-prints had been implemented, and this resulted in additional costs. The Department was also of the opinion that the inexperience of some of the contractor's employees resulted in additional funds being paid.

Project Management

5.40 For most of the life of the project it has suffered from inadequate project governance. This project was a complete reengineering of the Department's activities and not just an IT project. As such it should have been managed from inception by a professional project manager reporting

- 5.43** The Department's decision to use the addresses obtained at the time of registration was unfortunate, since it led to pension cheques being issued to the wrong addresses and persons not being paid on time. This undermined some of the confidence the public had in the Department.
- 5.44** The Department and its contractor underestimated the amount of work necessary to successfully implement a project of the size that was attempted. As a result, the original budget was understated.
- 5.45** The number of errors occurring and the challenges experienced after the system was in operation indicate that testing of the system with all business processes was not as robust as it should have been. In addition, insufficient attention was given to reducing the risks posed when converting data from one system to another.
- 5.46** The Steering Committee disbanded after the system went live and this reduced the Department's governance of the project. As a result of the payment mechanism in use, it was absolutely necessary that the Department maintain adequate governance of the Project especially to keep costs at a reasonable level.

Recommendations

- 5.47** *The Department should complete a list of all outstanding issues relating to the project. These issues should be prioritized for necessary action.*
- 5.48** *Where it is possible to quantify the cost of problems resulting from inferior work by the contractor, the Department should seek appropriate reimbursement.*
- 5.49** *The Department needs to continue the development of its in-house capabilities through further training of staff and the recruitment of suitably qualified personnel.*
- 5.50** *It is important that the Steering Committee which should contain representatives of the key business areas of the organization continues to direct and monitor the implementation of the project.*

National Housing Corporation

- 5.57** 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. In addition, the Corporation makes available loans for the purchase of land and houses.
- 5.58** At the 31st March, 2008 the Corporation had a database of over 29,000 applicants for land/housing solutions. This database has grown at a rate of 2,400 applicants a year over the ten year period to March 2008. The database however needs to be properly maintained, since it contains names of persons who have already acquired properties and others who applied in the 1990s but may no longer be eligible for, or interested in property acquisition or rental.
- 5.59** The Corporation is funded mainly from the collection of rents and the sale of property. However, the Corporation has acknowledged that the rents collected are insufficient to cover the cost of repairs, while the sale of lots is infrequent, and therefore does not supply a steady cash flow. The Corporation also relies on a bank overdraft with the Barbados National Bank to help run its day-to-day operations. At March 2008, the overdraft was in excess of \$23 million. As a result of the shortage of funds the Corporation has been challenged to meet its financial commitments and this has impacted on its ability to execute its programmes.
- 5.60** Along with the financial deficiencies, several other factors were responsible for the slow delivery of housing. These include entering contractual arrangements without first ensuring that the permission of the Town and Country Planning Division was obtained to develop areas; and entering arrangements before lands were properly vested in the Corporation by the Crown.

Sale of Land to Joint-Venture Partners

- 5.64** After protracted negotiations between the Corporation and the two joint - venture partners on the cost of houses to be built at Kent, Christ Church no price could be reached that the Corporation would agree to. In the end the Corporation decided to terminate the negotiations since the construction price being proposed by the joint-venture partners was too high.
- 5.65** With the joint-venture arrangements terminated management of the Corporation developed two proposals for Kent: One for the sale of the land in its raw state at \$7.00 per sq. ft, the other for the development of the land and its subdivision and sale at \$18.00 per sq. ft.
- 5.66** The Corporation estimated that it could make \$28 million in profit from the second proposal, and this profit could be used for the further development of properties for lower and middle-income groups. In addition, it would provide enough money to pay the joint-venture partners for any preliminary work carried out.
- 5.67** These proposals were submitted to the Corporation's Board for approval. The Board chose the second option, entailing the development of the land and sale at \$18.00 per sq. ft, and agreed that this option should be drawn to the attention of the Ministry for directions.
- 5.68** In response the Ministry requested more information, such as the status of the joint-venture arrangement, the legal implications of ending the arrangement, and the social impact of selling the land to the joint-venture partners.
- 5.69** In its response to the Ministry, the Corporation's management recommended that the captioned land should be offered to the joint venture partners for \$16 million or \$7.00 per square foot. The management argued that given the financial position of the Corporation and the ever growing demand under the Primary Homes Programme, the Corporation needed a large capital injection to address this situation and it could be achieved by the sale of the land for \$16 million.

interest in purchasing land from the Corporation or were selected through any competitive process.

Sale of Land Contrary to the Authorisation of Parliament

- 5.75** The sale of land at Kent to private developers was contrary to the intent of Parliament of providing housing to first-time home owners, and the Ministry's objective of reducing the housing demand in Barbados.
- 5.76** This land was vested in the Corporation for a public purpose, and if there was to be a change of use, the Ministry should have returned to Parliament for its approval. In essence the Corporation should only have acted in accordance with what Parliament authorized. It should be noted that on 2nd April 1981, the Solicitor General gave an opinion on a similar matter when the Ministry wanted to use land for a purpose other than that for which it had been acquired.

Husbands Gardens Project

- 5.77** In 2004, the Corporation pursued a profit sharing arrangement with a bank in relation to Husbands Gardens, contrary to the directive of Cabinet. This action resulted in a loss of \$1 million to the Corporation. A minority of applicants, who had applied for these properties, were able to afford the high cost at which they were sold.
- 5.78** The bank financed the entire project for both infrastructural development and house construction. When the houses were completed the bank and the Corporation found difficulty finding purchasers for the properties. Of the 24 applicants which the Corporation submitted, only two qualified to purchase the properties, which were supposed to be offered for sale at \$250,000 or thereabouts, but were being sold at an average of \$400,000 by the bank. This prevented the majority of applicants from having any chance of qualifying. The bank reported that it suffered a loss on the project and as a result, the Corporation did not receive any monies from the sale of the properties.

should be asked to renew their interest in purchasing properties periodically.

- 5.84** During the five year period to March 2008 the Corporation had constructed two hundred and twenty-six (226) houses through the Joint-venture and Primary Homes programmes, and these results contrast with the target of 1,600 which was set for the five year period 2003 to 2008.

Overdraft Facilities

- 5.85** The Corporation has an overdraft facility whose limit is set by the Ministry of Finance. However, the Corporation has been operating in excess of this limit. For example in 2003 the limit was \$4M while the overdraft reached \$8.9M. In 2008 the limit was \$7M while the overdraft reached as high as \$23M. This method of financing was very costly. During the period 2003-2008 the Corporation paid in excess of \$10M interest charges on this facility.

Conclusions

- 5.86** There is no doubt that a considerable demand exists for housing solutions offered by the National Housing Corporation, and this is evidenced by the wait-list that has been growing at a rate of 2,500 per year.
- 5.87** Considerable amounts of land have been vested in the Corporation over the years for housing development. The Corporation had set a target for the construction of 1300 Low and middle income houses along with the development of lots for sale over a five year period from Jan 2003 to Dec 2008. However it was only able to develop 226 houses and provide 194 lots during this period.
- 5.88** There are a number of reasons why the Corporation was not successful in its housing solution ventures as it had projected. These included the poor state of the Corporation's finances which limited its ability to carry out infrastructural work in areas selected for its Primary Homes Programme.

- 5.96 *When applicants have not been successful, the Corporation needs to inform them of the means by which to keep their applications current, and whether they have to re-apply for new areas of development.*
- 5.97 *Relevant due diligence should be carried out on firms seeking to construct houses for the Corporation to attest to their financial and technical suitability.*
- 5.98 *The Corporation should ensure that Town Planning and other regulatory approval is obtained for the development of land prior to entering into contracts with developers.*
- 5.99 *As a result of the long delays in implementing housing solutions, greater care needs to be taken in arriving at the sale price of NHC houses, since materials and other costs can rise substantially during the period from conception of plan to sale of units.*
- 5.100 *Land vested in the Corporation should only be utilized in accordance with the directives of Parliament.*
- 5.101 *The Corporation needs to have a policy which clearly outlines to staff and the public, the selection criteria used to allocate housing units to applicants.*
- 5.102 *The Corporation should ensure that there is the establishment of a management company as required by the Condominium Act, Cap. 224A.*

Ministry's Update

Financing

The management had taken steps to obtain two sets of funding to help deal with the financial situation. This included obtaining in excess of \$100 million in funding to assist with the Housing Every Last Person (HELP) program and to finance a Terrace Units Project.



Appendices

FINANCIAL MANAGEMENT AND AUDIT ACT, 2007-11

PART IV

The Audit Office

36. (1) The Auditor-General is the auditor of the financial statements of the Government of Barbados.
- (2) The Auditor-General shall also
- (a) be responsible for the audit and inspection of all public accounts whether such accounts are of general revenue credited to and expenditure met from the Consolidated Fund, special funds or departmental accounts and statutory bodies which receive all or part of their funds from the Consolidated Fund;
 - (b) apply to the public accounts, such an examination as will enable him to ascertain that in his opinion the accounts are kept on a proper system, that they are punctually and properly posted and that checks against irregularity and fraud are adequate and effective;
 - (c) prepare and deliver an audit opinion to the entity whose statements have been audited;
 - (d) satisfy himself that all standing instructions, enactments and other laws of Barbados relating to finance and accounts are strictly observed; and
 - (e) examine and report in accordance with the outcome of his examination the several statements and accounts which are required to be submitted to him under this Act
- (3) 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.
- (4) Subsection (3) shall not be construed as entitling the Auditor-General to review the merits of the policy objectives of Government in respect of any Ministry, Department or statutory body.
37. The Auditor-General shall examine the calculations and computations of all pensions and gratuities or similar awards before any award is made and shall certify that they are arithmetically correct and are in accordance with all statutory provisions relating thereto.
38. (1) The Auditor-General shall report annually, as soon as possible and not later than

regular period with accounts of the transactions of such department up to the date as he may specify;

- (e) without payment of any fee, cause a search to be made in, and extracts to be taken from, any book, document or record in any public office;
- (f) summon and examine upon oath, declaration or affirmation (which oath, declaration or affirmation the Auditor-General is hereby empowered to administer) all persons whom he thinks fit to examine respecting
 - (i) the receipt or expenditure of money;
 - (ii) the receipt or issue of any stores affected by this Act; and
 - (iii) all other matters and things whatever necessary for the due performance of his functions;

and any person so summoned is upon production of a certificate of the Auditor-General entitled to payment for his attendance in accordance with the provisions of the *Witnesses and Interpreters (Payment) Act* as if he were a witness attending a legal proceeding in obedience to a summons issued at the instance of the Crown; but the Auditor-General may, if he thinks fit in any case, disallow the whole or any part of such payment;

- (g) to require every person employed in the office of the Auditor-General who has to examine the accounts of a department to comply with any security requirements applicable thereto and to take any oath of secrecy required to be taken by persons employed in that department.

- (2) Any person summoned under paragraph (f) of subsection (1) who without reasonable excuse fails to obey the summons is guilty of an offence and is liable on summary conviction to a fine of \$5 000 or to imprisonment for a term of 12 months.

40. (1) The Auditor-General may authorise any officer in the office of the Auditor-General to perform on his behalf any of his functions under this Act or any other Act other than the administering of oaths and the certifying of and reporting on accounts for the House of Assembly.

- (2) Where it appears to the Auditor-General that
 - (a) any irregularities have occurred in the collection, custody or expenditure of public moneys or in the accounting for the same;
 - (b) any irregularities have occurred in the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores, or other property of the Crown or in the accounting for the same;

Statement of Revenue Remitted

Section 11(2) of the F.M.A. Act., Cap. 5, reads as follows: -

"Subject to this Act, and to any other enactment, no sums due to the Crown by way of revenue, and no other public moneys may be remitted except:-

- (a) in the case of sums not exceeding \$5,000 under the authority of the Minister; and*
- (b) in the case of sums exceeding \$5,000 under the authority of Cabinet, and a statement of all amounts so remitted shall be submitted by the Auditor General to the House of Assembly, in accordance with Section 28."*

A Statement of Sums Waived during the financial year ended 31st March, 2009 was submitted by the Ministry of Finance. The Statement comprises a waiver of levies, taxes, duties, and penalties. It was however not possible for the Audit Office to verify this Statement, which follows: -

Department	Tax	Amount \$
Customs and Excise		771,510,125.26
Corporate Affairs and Intellectual Property Office	Stamp Duty	785,000.00
Inland Revenue		62,732.81
Land Tax	Tax	
	Interest	1,302,012.51
	Penalty	232,729.51
	Relief Granted	346,731.78
Land Registry	Property Transfer Tax	531,308.47
Total Tax Remitted		774,770,640.34