

BARBADOS NATIONAL INSURANCE BOARD



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SUGAR WORKERS' PROVIDENT FUND
FOR THE YEAR ENDED DECEMBER 31ST, 2018**

SUGAR WORKERS' PROVIDENT FUND

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**AUDITOR GENERAL'S OFFICE
BARBADOS**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the National Insurance – Sugar Workers' Provident Fund

Opinion

I have audited the financial statements of The Sugar Workers' Provident Fund, which comprise the Statement of Financial Position as at 31st December 2018, Statement of Changes in Reserves, Statement of Comprehensive Income, and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects the financial position of the Sugar Workers' Provident Fund as at 31st December 2018 and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

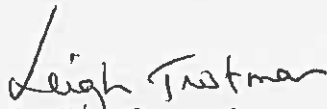
Responsibility of Management and the Board of Directors for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement.

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



Auditor General

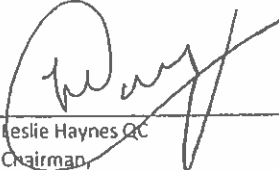
2nd Floor Weymouth Corporate Centre

31st May 2021

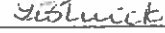
SUGAR WORKERS' PROVIDENT FUND
Statement of Financial Position
As at December 31, 2018
(Expressed in Barbados Dollars)

| | Notes | 2018 \$ | 2017 \$ |
|---------------------------------------|-------|---------------|---------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash equivalents | 4 | 41,404 | 25,719 |
| Receivables | 5 | 4,673 | 17,019 |
| Short-term investments | 6 | - | 34,421 |
| Total Current Assets | | 46,077 | 77,159 |
| Non-current assets | | | |
| Long-term investments | 6 | 31,905 | - |
| Total Non-Current Assets | | 31,905 | - |
| TOTAL ASSETS | | 77,982 | 77,159 |
| LIABILITIES AND RESERVES | | | |
| Current Liabilities | | | |
| Liability to National Insurance | 8 | 4,499 | 4,499 |
| Other Liabilities | 8 | 10,482 | 4,832 |
| Total Current Liabilities | | 14,981 | 9,331 |
| Reserves | | | |
| Fund reserve | | 63,001 | 67,828 |
| Total reserves | | 63,001 | 67,828 |
| TOTAL LIABILITIES AND RESERVES | | 77,982 | 77,159 |

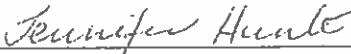
APPROVED FOR ISSUE BY THE BOARD AND SIGNED ON ITS BEHALF BY:



Leslie Haynes QC
Chairman,
National Insurance Board



Janice Estwick
Financial Controller
National Insurance



Jennifer Hunt
Director (Ag.)
National Insurance

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

SUGAR WORKERS PROVIDENT FUND
Statement of Changes in Reserves
For the year ended December 31, 2018
(Expressed in Barbados Dollars)

| | Fund balance |
|----------------------------------------|---------------------|
| | \$ |
| Balance as of January 01, 2017 | 62,884 |
| Net income/(loss) for the year | 4,944 |
| Balance as of December 31, 2017 | 67,828 |
| Net income/(loss) for the year | (4,827) |
| Balance as of December 31, 2018 | 63,001 |

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

SUGAR WORKERS PROVIDENT FUND
Statement of Comprehensive Income
For the year ended December 31, 2018
(Expressed in Barbados Dollars)

| | Notes | 2018 \$ | 2017 \$ |
|---------------------------------------|----------|----------------|---------------|
| INCOME | | | |
| Contributions Income | 3a (i) | 8,402 | 16,568 |
| Investment Income | 3a (ii) | 905 | 1,187 |
| Total Income | | 9,307 | 17,755 |
| EXPENDITURE | | | |
| SWPF Benefit Expense | 3a (iii) | 7,574 | 7,925 |
| Administration Expense | 3a (iv) | 3,852 | 4,886 |
| Operating Expense - Impairment Loss | | 2,708 | - |
| Total Expenditure | | 14,134 | 12,811 |
| NET (LOSS) INCOME FOR THE YEAR | | (4,827) | 4,944 |
| Fund Reserve at January 1 | | 67,828 | 62,884 |
| Fund Reserve at December 31 | | 63,001 | 67,828 |

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

3. Significant accounting policies (cont'd)

(a) Recognition of revenue and expenses (cont'd)

(iii) Benefit expenses are recognized at the time of approval of claim and are reported on an accrual basis.

(iv) Administration expenditure is accrued on a monthly basis. As an administrative arrangement the National Insurance Fund conducts all business on behalf of the Sugar Workers Provident Fund and charges a fee for those services. The amount approved by the National Insurance Board for 2018 was \$2,581 and for 2017 was \$3,351. Other administrative charges relate to Audit fees and bank charges.

(b) Investments

Term deposits are stated at the amount of principal outstanding and the Treasury Bills are shown at cost plus interest earned.

(c) Receivables

Receivables are carried at cost less impairment losses.

(d) Comparative Information

Where necessary, comparative data has been reclassified to conform to the presentation in the current year. These changes have no effect on the operating results, profit or net assets of the Fund for the previous year.

(e) Deferred revenue

Unearned income on Treasury Bills is now being recognised at year-end and deferred revenue is a liability netted against the matured amount of the Treasury Bills in the Balance Sheet.

4. Cash and cash equivalents

| | December 31, 2018 | December 31, 2017 |
|----------------------------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Current account - Republic Bank (Barbados) Limited - Admin Account | 27,449 | 15,998 |
| Current account - Republic Bank (Barbados) Limited - Pension Account | 13,955 | 9,721 |
| | <u>41,404</u> | <u>25,719</u> |

Cash equivalents comprise fixed-term securities with original maturity periods of three months or less. At December 31, 2018, the Fund holds no short term investments which can be classified as cash equivalents.

5. Accounts Receivable

| | December 31, 2018 | December 31, 2017 |
|-------------|-------------------|-------------------|
| | \$ | \$ |
| Receivables | 4,673 | 17,019 |
| | <u>4,673</u> | <u>17,019</u> |

Receivables include contributions due for 2018 as well as interest due on investment.

6. Investments

The investment portfolio at 2018-12-31:

| | % | 2018 | % | 2017 |
|-------------------------------|---------------|---------------|---------------|---------------|
| Short Term Investments | | | | |
| Treasury Bills | 0.00 | 0 | 100.00 | 34,421 |
| | 0.00 | 0 | 100.00 | 34,421 |
| Long Term Investments | | | | |
| Bonds | 100.00 | 31,905 | 0.00 | 0 |
| | 100.00 | 31,905 | 0.00 | 0 |
| Total | <u>100.00</u> | <u>31,905</u> | <u>100.00</u> | <u>34,421</u> |

6. Investments (cont'd)

Government of Barbados (GOB) debt restructure

During 2018, payments on GOB debt were suspended in the month of June as the first step in a comprehensive debt restructuring plan. In September of 2018, the Barbados Economic & Recovery Transformation (BERT) program was introduced with the aim of setting up a viable future for the country in conjunction with the IMF. A major feature of BERT is the rescheduling of GOB debt payments over a longer period and a reduction in the interest coupon on GOB debt securities. The new securities issued to the Sugar Workers' Provident Fund Account were Series F bonds.

As a result of the GOB debt restructuring, the Sugar Workers' Account recognised an impairment loss of \$2,708 during 2018.

7. Financial Instruments

(a) Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of reserves.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered.

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a contributor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments and accounts receivable.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure.

Management of credit risk

The Board of Directors has responsibility for the management of credit risk and this includes:

- *Formulating credit policies* covering collateral requirements, credit assessment, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval of investments.
- *Reviewing and assessing credit risk* including assessing all credit exposures in excess of designated limits, prior to funds being committed to new investments.

Impaired securities are securities for which the Fund determines that it is probable that it will be unable to collect all principle and interest due according to the contractual terms of the security agreement(s).

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

7. Financial Instruments (cont'd)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Fair value of financial instruments

The fair values of cash at bank, term deposits, interest receivable short term investments, accounts payable and accrued expenses are not materially different from the carrying amounts.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

8. Accounts Payable

| | December 31, 2018 | December 31, 2017 |
|--------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Liability to National Insurance Fund (NIF) | 4,499 | 4,499 |
| Other Liabilities | 10,482 | 4,832 |
| | <u>14,981</u> | <u>9,331</u> |

The Liability to NIF represents the Sugar Workers' Provident Fund's indebtedness to the National Insurance Fund, in respect of Audit fees and benefits paid on its behalf prior to 2015 but not yet re-imbursed. Other Liabilities include pensions as well as amounts due to Severance and Unemployment.

9. Contingencies

As at the statement of financial position date, there are no known contingencies.

10. Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

During the period under review the Sugar Workers' Provident Fund invested in financial instruments issued by the Government of Barbados as follows:

| | 2018 | 2017 |
|------------------------------|---------------|---------------|
| Balance at beginning of year | 34,421 | 33,417 |
| Investments during the year | 103,400 | 67,317 |
| Maturities during the year | (104,500) | (67,500) |
| Interest during the year | 1,292 | 1,187 |
| Impairment during the year | (2,708) | - |
| Balance at end of year | <u>31,905</u> | <u>34,421</u> |