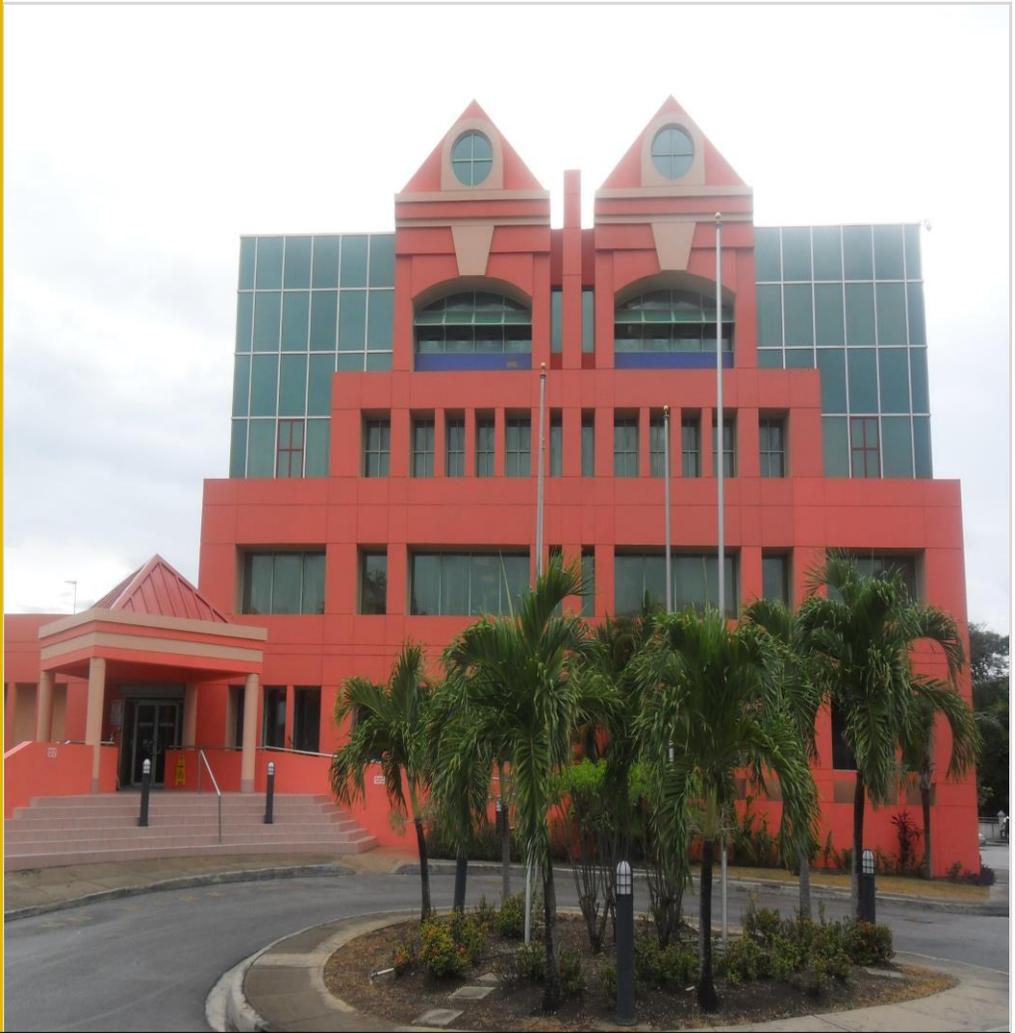




# Barbados Audit Office

Report  
of the  
**Auditor General**  
for the year

**2019**



*Strengthening public accountability by providing fair and independent reports*

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



**Report**  
**of the**  
**Auditor General**  
**for the year**  
**2019**

## **MISSION STATEMENT**

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

## **THE GOAL**

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



Barbados

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May 29, 2020

His Honour The Speaker  
The House of Assembly  
Parliament Building  
**BRIDGETOWN**

Sir,

In accordance with Section 113 (3) of the Constitution of Barbados and Section 38 (5) of the Financial Management and Audit Act, 2007 - 11, I forward for laying before the House of Assembly my Report of the examination of the accounts of the Ministries and Departments of Government, and of other financial statements and accounts required to be audited by me in respect of the financial year ended March 31, 2019.

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. Trotman, CPA**  
**Auditor General**

# Report of the Auditor General 2019

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# Report of the Auditor General 2019

## Introductory Comments

In 2019, a considerable amount of the Office's resources were used in the clearing of a backlog of outstanding audits of a number of statutory boards whose accounts were not submitted for review for a number of years. Steady progress was made with a number of agencies. The main driver for the submission of these accounts was the Ministry of Finance, which had indicated to these agencies the importance of having their accounts audited as part of the Country's arrangements with the International Monetary Fund. It is unfortunate that these agencies have not been able to present their accounts annually for audit in a timely manner. It is hoped that in the future, there will be greater adherence to the deadlines for the audit of the accounts of all state agencies as required by the law. This would ensure that the accounts are audited annually thus ensuring accountability for funds allocated. The Boards of Management should be the driving force in ensuring that Management of their agencies prepare the accounts on a timely basis.

**2.** There are still a number of state agencies that are several years in arrears and this include the National Insurance Fund which has seven years' accounts to be audited. My Office will do all in its power to assist in getting rid of this backlog. This is a most challenging exercise as the longer the accounts remain unaudited, the more difficult it becomes to resolve issues that arise during the audit, such as the provision of appropriate schedules and the answering of any queries that develop.

**3.** It is of particular concern that the financial statements of the Government of Barbados, prepared by the Treasury Department, for the financial year ending 31<sup>st</sup> March 2019 have not been presented at the time of writing. The lateness in the presentation of these accounts for audit is a relatively new occurrence and should be of serious concern to the Government. Action needs to be taken to resolve this issue as a matter of urgency.

## **Report of the Auditor General 2019**

**4.** One of the main challenges faced by the Auditors during 2019 was obtaining information from certain state agencies. In some cases, the information requested was not supplied and this resulted in the Auditors not being able to carry out assessments on the efficiency and effectiveness of the use of resources and the verification of figures in the financial statements. These agencies need to understand that they are utilizing public resources, and are accountable for all matters pertaining to it use. The Auditor provides a critical step in ensuring that there is transparency in the decision making process and that funds were used as intended, all relevant laws are observed, and that value for money was achieved.

**5.** In spite of the challenges outlined, I thank the members of my staff for their support, as well as the relevant officers from the audited bodies who assisted. I look forward to a more productive 2020.

**Leigh E. Trotman, CPA  
Auditor General**

**May 29<sup>th</sup>, 2020**



## CHAPTER 1

### GENERAL ISSUES

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#### Introduction

**T**his Annual Report of the Auditor General to Parliament is presented in accordance with Section 38 (1) of the Financial Management and Audit Act, 2007-11 (FMAA or the Act). This Act stipulates that “the Auditor General shall report annually, as soon as possible and not later than the last day of December following the close of each financial year, the results of his examination of the accounts and any failure to observe the enactment or other laws of Barbados”.

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



**1.4** In accordance with Section 113 (2A) the Auditor General can also, on his own initiative, carry out examinations into the financial management of any State Agency, including the efficiency and effectiveness of the use of their resources in discharging their functions.

**1.5** The Audit Office is therefore involved in three types of audits. One type (Compliance Audit) involves verifying whether the financial rules and other laws and procedures are adhered to, in respect of financial transactions. Another type (Financial Audit) involves the verification and accuracy of the figures reported in the Financial Statements. The third type (Performance or Value-for-Money Audit) focuses on whether there was efficiency and effectiveness in the use of resources. This latter type of audit assesses the management and operational issues facing an organization or any of its programmes.

### **Structure of Report**

**1.6** This report is divided into four chapters. The first chapter reports on various activities carried out by the Office and the various changes impacting on its operations. The second chapter highlights matters pertaining to the operations of Central Government in relation to the collection of revenue. The third and fourth chapters consist of two special audits - the first audit pertains to the payment of legal fees by state enterprises and the second on the procurement activities of the Barbados Water Authority. Chapter five consists of a report on the financial audits of the state enterprises.



## **Autonomy & Staffing**

- 1.7** During the course of the year I submitted a proposal to the Ministry of Public Service for greater autonomy for the Office. This proposal was in keeping with international best practice which suggests that audit offices performed better when they are free from the possibility of operational interference. The Constitution grants the power to recruit and discipline public officers to the relevant Public Service Commission so either the Commission can delegate this authority to another body or person, or the Office can operate as a statutory body. I would recommend that the delegation option be exercised. There is already precedent for delegation of authority for recruitment with the Chief Education Officer. The benefit of this delegation would be faster employment of staff and decision making as it relates to human resource management.

## **Office Activities**

### **Training**

- 1.8** Officers from the office were involved in a number of training exercises and attendance at conferences during the year. The details of these activities are as follows:
- The Office Administrator, Mrs. Maria Odle-Manns, attended a capacity development programme entitled “Integrity Control in an Audit Office”. This Workshop was held in Kingstown, Jamaica during the period February 4 and 5, 2019. The main focus of the workshop was to demonstrate to participants the use of an assessment tool



which assesses the effectiveness of the integrity control system in an organization.

- A number of officers attended short training courses held by the Learning and Development Directorate of the Ministry of the Public Service. These courses were 'Having Challenging Conversations with Employees', 'Facilitating Online Instruction', 'Project Management', 'Safety and Health', 'Performance Management', and 'Overview of the Legislative Framework of Government.
- The Auditor General attended the XI Congress of the Caribbean Organization of Supreme Audit Institutions (CAROSAI) in Georgetown, Guyana during the period 23<sup>rd</sup> to 27<sup>th</sup> June, 2019. The Congress comprised of several technical sessions on a number of auditing and management topics which were delivered by subject area experts. The Congress also made decisions pertaining to the training and development of Audit Officers in the region.



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## CHAPTER 2 COLLECTION OF REVENUE

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### Introduction

**T**he Barbados Revenue Authority (hereafter referred to as “the Authority”) was established by the Government of Barbados on 1<sup>st</sup> April 2014 as its Central Revenue Collection Agency.

- 2.2** One of the main functions of the Authority as outlined in the Barbados Revenue Authority Act, 2014 is to assess, collect and enforce the payment of taxes, duties, interest, penalties, fees and other sums payable under the specified enactments. These enactments included the Income Tax Act, Cap 73; the Value Added Tax Act, Cap 87; Land Tax Act, Cap 78A; and the Excise Act, Cap 69. Also included is the Road Traffic Act, Cap 295 and the subsidiary legislation made thereunder in so far as the enactments relate to the collection of taxes, fees and other sums.

### Audit Mandate

- 2.3** Under the Authority’s Act, the Auditor-General is the Auditor of the Authority, and is required to:-
- (a) Audit annually, the accounts of the Authority and report to the Authority and the Minister on the financial statements of the Authority.



## STATEMENT OF REVENUE COLLECTED

- 2.4** The Barbados Revenue Authority reported revenue collection of \$2.04 billion for the financial year ending March 31, 2019. The Auditors were unable to verify the amounts submitted in the statement as a result of a number of errors and omissions. The following are the main issues arising from the audit of revenue collection of this Agency: -

### Taxes on Income and Profits

- 2.5** Corporation Tax revenue was reported as \$539.7 million. The amount recorded included \$244 million which related to the previous financial year. As a result, Corporation Tax revenue for the financial year 2018-2019 was overstated by \$244 million.

- 2.6** The amount for Taxes on Income and Profits included \$190.6 million recorded in the E-Tax computerized system. However, access to this system was not granted to the Auditors thus prohibiting the verification of Taxes on Income and Profits. Similar restrictions also occurred in previous years and were reported to management, but no action has been taken to rectify this situation.

### Value Added Tax Revenue

- 2.7** Value Added Tax (VAT) revenue was reported as \$644.4 million. This was inclusive of \$31 million which related to amounts were already included as revenue in previous financial years. Hence, VAT revenue was overstated by \$31 million in this regard.



- 2.8** In addition, cash payments made in respect of outstanding amounts, dating back to 1999, were recorded as revenue in the current financial year. However, cash collections for amounts owing for previous years are not to be classified as revenue since amounts were included in earnings for previous years. This resulted in an overstatement of VAT revenue by \$27.4 million. The Authority needs to provide the necessary monitoring of transactions and possible training to staff, so that officers are aware of the various accounting treatments for transactions. This would ensure taxes are accurately recorded and classified.

## STATEMENT OF FINANCIAL POSITION

### Tax Receivables (Net)

- 2.9** Tax Receivables (Net) was reported as \$1.5 billion. However, this amount did not include amounts owed prior to tax year 2013 for Income Tax and Corporation Tax. The reported amounts therefore did not represent total taxes outstanding.

### Highway Revenue Receivables

- 2.10** No schedule/s was provided to support the \$300,000 reported as amounts outstanding for Highway Revenue. The Auditors were therefore unable to verify this figure.



## LEDGER ACCOUNTS

### Transactions of \$20.8 million was not captured in Ledger

- 2.11** Payments from taxpayers in respect of VAT and Taxes on Income and Profits are collected by cashiers and then posted to the ledger account via a journal voucher. The balances in this ledger are reconciled with totals on the bank statement at the end of the financial year. The audit revealed that amounts totaling \$20.8 million of these transactions were not posted to this ledger account. This failure to post these amounts have adversely affected the reconciliation process and the accuracy of the accounts.

### **Bank Reconciliations**

#### Deposit Bank Account

- 2.12** The Bank Reconciliation Statement of the Authority's deposit bank account recorded approximately \$17 million as "Other Reconciling Differences" at 31<sup>st</sup> March 2019. This "reconciling difference" has been brought forward each month from May 2018 to March 2019. Urgent action should be taken to clear these differences from the reconciliation before more time elapses which would result in difficulties in having them resolved.

#### Other Omissions from the Ledger Account

- 2.13** There were a number of other omissions from the ledger account as follows:



- i. For the months of June and December 2018 and March 2019, payments made directly to the Authority's bank account totaling \$48.6 million were not posted to the ledger account, resulting in misrepresented balances in the ledger.
  
- ii. Daily credit card payments received by the Authority's cashiers are reflected on the bank statement and should also be recorded in the ledger account. It was observed that for the month of July 2018 credit card payments totaling \$1.7 million were not recorded in the ledger account, thus resulting in misrepresented balances in the ledger.

These omissions indicate that not enough attention is being paid to the recording of bank information in the ledger. This will have negative implications for accurate record keeping of information and for the reconciliation of the bank accounts.

## **FINANCIAL REPORTING**

- 2.14** In the Statement of Financial Position, there is reference to a \$26.2 million General Fund. However, there is uncertainty of what this balance represents and how it was derived. There is also reference to 'Other Receivables' of \$460 million which do not relate to any assets but purportedly represents refunds payable by the Treasury.
- 2.15** The submission of financial information for revenue collection was not in accordance with Section 22 (3) (c) of the Financial Management and Audit



Act, 2007-11 and did not follow generally accepted accounting principles. Under this Act the Authority is required to provide information on revenue collected, amounts paid as refunds, receipts, receivables, waivers and remittances. This information should be transmitted to the Treasury for incorporation in the Government's accounts. The Authority however sought to portray its revenue collection activity as though it was for a separate fund and this created some confusion. The Authority should take the requisite action to ensure that the information produced in the financial statements is accurate, properly classified, follow generally accepted accounting principles and is useful to the stakeholders.

## OTHER MATTERS

### Transfer of Taxpayers' Information from E-TAX and VETAS to TAMIS

- 2.16** Taxpayers' balances from the previous tax systems have not been integrated into the new TAMIS system. The Authority needs to put measures in place to ensure that the balances from the old systems are verified and integrated into the TAMIS system as soon as possible, so that taxpayers' information is located on one system, and that it provides accounting information that is complete and up-to-date as this is currently not the case.



## CHAPTER 3

### PROCUREMENT OF LEGAL FEES BY STATE-OWNED ENTERPRISES

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#### Introduction

**G**overnment entities have been paying considerable amounts of money for the acquisition of legal services from attorneys in the private sector. This audit examined in detail whether some of these entities have adequate procurement policies in place to ensure that there is transparency in the process for acquiring these services, and that there was a clear basis for determining the fees charged.

- 3.2** The Barbados Audit Office requested fifty-four (54) State-owned Enterprises (SOEs) to submit information on the selection process used, and the legal fees paid out to external attorneys over the past eleven (11) years. Thirty-seven (37) responses were received and, based on the value of legal fees paid, eight (8) entities were selected for further review.

#### Audit Scope and Objectives

- 3.3** The main objective of this audit was to determine whether State-owned Enterprises (SOEs) had implemented systems to facilitate the procuring of legal services from attorneys/firms in a cost-effective manner. This was achieved through the evaluation of the processes used in selecting the attorneys/firms, the basis on which the rates/fees were agreed, and the terms and conditions of the engagements. The review focused on the period 1<sup>st</sup> April 2007 to 31<sup>st</sup> August 2018.



## **Methodology**

**3.4** In order to provide reasonable assurance on the stated objective, information pertaining to the engagement of legal services was obtained and reviewed from the following agencies: -

- Financial Services Commission (FSC)
- Sanitation Service Authority (SSA)
- Fair Trading Commission (FTC)
- Needham's Point Holdings Ltd (NPHL)
- Barbados Tourism Investment Inc. (BTII)
- Barbados Investments & Development Corporation (BIDC)
- National Petroleum Corporation (NPC)
- Barbados Agricultural Development & Marketing Corporation (BADMC)

**3.5** Interviews were conducted with key personnel of the above agencies, and files and other relevant documentation provided were reviewed.



## SUMMARY OF FINDINGS

### Selection of Attorneys

- 3.6** The review revealed that some attorneys/firms engaged by the SOEs were selected by Cabinet, others by the Board of Management and/or the Minister responsible for the SOE. However, the Auditors were not provided with a clear basis for the selection of the legal counsel by these agencies/authorities. The engagement of the attorneys/firms was stated to be due to the absence of legal counsel on staff at some agencies; and the complexity and volume of legal matters to be dealt with, for others.

### Basis for Fees

- 3.7** The total amount of fees reported as paid by the entities who submitted information was over \$7 million, with the amount of fees paid to individual attorneys/firms, ranging from \$500 to \$4 million for work done over the review period. Generally, there was an absence of evidence to indicate that the basis or rates/fees paid to the attorneys were agreed on prior to services being provided.
- 3.8** Four (4) of the eight (8) agencies examined indicated that fees charged were generally based on the Legal Profession (Attorneys-at-Law) (Remuneration for Non-Contentious Business) Rules, 1997 (hereinafter referred to as the Legal Profession Rules or the Rules). However, there are legal services which are not explicitly captured in the stated Rules resulting in the basis of the rates/fees not being established in these instances.



- 3.9** Another two (2) agencies indicated that the General Counsel on staff was responsible for verifying the fees. Whereas, the other two (2) agencies provided no information on the basis for the fees charged by the attorneys.
- 3.10** The detailed findings of the review on the individual entities are outlined below.

## DETAILED FINDINGS

### A. Barbados Investment & Development Corporation BIDC/the Corporation

- 3.11** The BIDC indicated that it engaged its external legal counsel through a number of methods. These were public tendering, selection from a list of Legal Retainers recommended by Cabinet, and the direct selection by the Board or the Minister responsible for Trade and Industry. The Corporation also indicated that it engaged the services of the attorneys based on their expertise and experience, as well as the skill set required at the time. However, BIDC provided no evidence to verify that the methods of selection were followed for the eight (8) attorneys.
- 3.12** BIDC engaged the services of eight attorneys and paid them a total of \$313,887.00 during the period reviewed. The Corporation informed the Audit that the rates/fees paid to the external counsel were based primarily on the Legal Profession Rule but for other attorneys, “an hourly rate was charged and other costs were assessed by the courts”. In other instances,



it paid a percentage of the debt recovered from rentals to attorneys. The BIDC's Legal Officer was responsible for negotiating, as well as assessing the fees payable to external counsel through verifying the work done.

- 3.13** A sample of fourteen (14) invoices and other supporting documentation were reviewed for evidence that the fees charged by the external counsel were verified by the BIDC's Legal Officer. The Audit observed that, for the majority of the invoices examined, there was no evidence of verification by the Legal Officer. Additionally, the Auditors were unable to verify the basis on which the fees were paid to some attorneys or ascertain whether there was an agreement on the fees prior to their engagements.

#### **Use of the Legal Profession Rules**

- 3.14** The Legal Profession Rules were at times quoted as the primary source for which legal fees were charged. However, the Audit was unable to verify some payments, as there were legal services for which the fees were not outlined in the Rules.

#### **Audit Comment**

- 3.15** There was the absence of evidence to determine the basis for selection of attorneys engaged to perform work for the BIDC. In addition, the basis for the legal fees charged was not often agreed upon prior to the engagement of the external legal counsel. The BIDC's Legal Officer played a critical role in the reviewing and verification of fees charged by the external legal counsel. However, it was not evident that a verification of charges in relation to work completed was always undertaken.

**B. Needham's Point Holdings Limited (NPHL)**

- 3.16** The NPHL identified nine (9) attorneys/firms whose services were employed to deal with legal issues that arose during the period reviewed. These attorneys/firms received a total of \$1.03 million during the review period.
- 3.17** After NPHL engaged the attorneys, they were paid on the submission of an invoice for work completed or performed. However, with the exception of two (2) attorneys, the NPHL did not provide any evidence that the parties had agreed before their services were engaged to the rates/fees claimed by the other attorneys. It is a prudent business practice for parties to agree on fees or a basis for their computation prior to the engagement of counsel, as this avoids the possibility of the agency being overcharged or having to negotiate fees with the engaged party after work has been completed.
- 3.18** Personnel from NPHL indicated that when claims submitted were considered excessive, they were reviewed by Management or the Financial Controller and the fees negotiated with the attorneys. This assessment, albeit after the fact, was stated to be based on the fees outlined in the Legal Profession Rules. A review of a sample of invoices revealed that the description of services recorded on the invoices could not be matched to anything outlined in the Legal Profession Rules.

**Audit Comment**

- 3.19** The ability of the NPHL to make a reliable assessment of the fees would have been challenging especially, where the fees were not stated in the



Legal Profession Rules. In such instances, it is not clear how the fees claimed were determined.

**C. Barbados Tourism Investment Inc. (BTII)**

- 3.20** The BTII indicated that it had no legal officer on staff; therefore, the services of an attorney were engaged to provide legal services for the agency. This attorney was engaged as the legal counsel of the BTII by the Board in 2008 and for the period 2009 to 2018 by the Cabinet. The attorney was paid \$3.974 million during this period for his services which included reviewing and advising on agreements/contracts, purchase/sale of land/property, and matters which were before the court.
- 3.21** The attorney was paid after the submission of an invoice for work completed. However, BTII provided no documented evidence that fees/rates were discussed or negotiated before the services of the attorney were engaged. The Chief Executive Officer (CEO) indicated that after the work was completed by the attorney, the rates/fees were assessed using the Legal Profession Rules, with negotiations entered into where amounts were considered excessive. No information was provided by the BTII to allow the Auditors to verify that this process occurred.
- 3.22** On examining a sample of eight (8) invoices, two (2) instances were found where the rates/fees were according to the Legal Profession Rules. These related to the sale/purchase of land/property. In the other instances, a determination could not be made as to whether the fees were based on the



Legal Profession Rules as the services recorded on the invoice were not defined therein.

### **Audit Comment**

- 3.23** Based on the review of the information provided by the BTII, the fees charged by the legal counsel were not agreed to prior to the commencement of work. With this type of arrangement, there is a high risk that the fees charged might not be reasonable in all instances. The BTII should not be in a position where it has to negotiate fees with counsel after work has already been completed. In any event, since there was an absence of legal staff at the BTII, it is doubtful whether its staff was in a position to assess the reasonableness of the fees charged.

#### **D. Barbados Agricultural, Development & Marketing Corporation (BADMC)**

- 3.24** The BADMC reported that there was no legal officer on staff, and as a result the services of various attorneys were engaged when required. The Auditors were informed that the Board selected the attorneys who were involved in matters relating to land leases and transfers, or to advise on disciplinary matters. No clear basis was established for the selection of attorneys. As a result, there was the absence of transparency in this process.



- 3.25** Personnel from the BADMC indicated that the Board engaged the legal services of twelve (12) attorneys/firms during the period reviewed. These attorneys were paid over \$222,000 during this period.
- 3.26** The BADMC did not provide the Audit with the terms and conditions under which it engaged the legal services of the attorneys/firms. The Agency indicated that it paid the attorneys for work completed or performed. However, there was no evidence that the parties agreed to the fees or the basis for the fees prior to the receipt of invoices from the attorneys. The rates/fees claimed were stated to be based on those prescribed in the Legal Profession Rules. However, there were services which were not stated in these Rules. In these instances, there was no clear basis on which the rates/fees were made.
- 3.27** The BADMC also stated that management at times consulted with the attorney/law firm when the rates/fees were not explicitly outlined in the Legal Profession Rules. In these cases, the BADMC personnel indicated that the attorneys were contacted by the Board and asked to provide more details with respect to the work performed and the time allocated, in order for a proper assessment to be made. The BADMC did not identify any payments where this process was followed. In any event, it would have been expected that fees or the basis for the fees would be established prior to the start of any work. This is a good business practice that would add certainty in respect of the amounts due for services performed.



### **E. Financial Services Commission (FSC/Commission)**

- 3.28** The FSC has had a General Counsel on staff from its inception to provide support on legal matters. However, the Commission informed the Audit that the Board acquires the assistance of an external legal counsel when the agency is served with court proceedings, threatened with litigation, or contemplating court proceedings. The Commission engaged four attorneys and made payments totaling \$994,452 for their services during the period, 1<sup>st</sup> April 2011 to 31<sup>st</sup> August 2018. No basis was provided for the selection of attorneys.
- 3.29** The Auditors requested documentation to verify that the attorneys were selected by the Board as stated. They were however only provided with documentation to substantiate the selection process of two attorneys. No documentation was provided to indicate that the rates/fees claimed by three other attorneys were negotiated or agreed to before their services were engaged. As a result, there was the absence of transparency with these payments.
- 3.30** The FSC stated that its General Counsel reviewed and verified the work done and the rates with respect to claims submitted by the external legal counsel. This was reportedly evidenced by this Officer's signature on the invoice. However, in the majority of cases, this process was not followed.



### **Audit Comment**

- 3.31** Fees/rates should be determined prior to the start of any work. This would add certainty to the financial arrangements and avoid situations of over invoicing or other related disputes that may arise.

### **F. Fair Trading Commission (FTC)**

- 3.32** The Fair Trading Commission has a legal team that deals with legal matters for the Commission, except where a matter was considered beyond the team's scope and expertise. In such cases, the service of an external counsel is engaged, as legislated by the Fair Trading Commission Act CAP 326B, Section 12 (1) & (2).
- 3.33** During the review period, the services of two (2) external counsels were engaged by the FTC to provide legal representation in two (2) cases. These attorneys were paid \$176,250 during the review period. The FTC however did not provide all the requested documentation to verify the basis on which the rates/fees were agreed upon with respect to one engagement or how the attorneys were selected.
- 3.34** The engagement of the other firm was supported by an engagement letter (agreement). Such details as the work, estimated fees, and factors that may influence the fees charged were documented. Invoices submitted by the firm were signed off by the General Legal Counsel, evidencing the review and evaluation of the submissions made. The basis on which the rates/fees



were agreed upon, and the process of review and assessment were evident.

**G. Sanitation Services Authority (the Authority)**

- 3.35** The Audit was informed by Management of the Authority that prior to November 2008, Cabinet selected the legal counsel at the Authority and, after this period, the Minister responsible for the agency selected the attorney. However, in the majority of cases, the Authority did not present the Audit with any evidence to verify that the aforementioned parties selected the attorneys engaged. No clear basis was established for the selection of the attorneys. As a result, there was the absence of transparency in this process.
- 3.36** During the review period, four (4) attorneys were paid a total of \$3.937 million for providing legal services to the Authority. It was stated that the invoices submitted by the attorneys were reviewed and signed by the Chairman. However, there was no evidence that the rates/fees and work performed were actually verified. Neither was there evidence that the rates/fees paid to the attorneys were known or agreed upon before their services were engaged. There should be certainty about fees or basis for fees prior to the commencement of any work to avoid any disputes and chances of over invoicing.
- 3.37** The Authority paid \$1.5 million to an attorney relating to a claim for \$5.8 million for work purportedly conducted during the negotiation process for a Waste to Energy Project. A part-payment of \$700,000 was made to the



attorney on a directive from the Ministry of Finance. Another payment of \$800,000 was made directly from the grant approved by Parliament for the Authority by the then Ministry of Environment and Drainage. Management of the Authority indicated that they were unaware of this latter payment and that there were no contractual arrangements between the attorney and the Authority. It was unclear what specific services were provided by the attorney to the SSA and what was the exact involvement of the Authority in this project.

**3.38** According to a letter dated 19<sup>th</sup> June, 2014 from the Ministry of Finance to the Ministry of the Environment, the sums paid to the attorney were to be reimbursed to the Authority/Ministry of Environment by the contracting firm under Clause 5.8 of the Agreement for the Waste to Energy Project. This was an unusual arrangement in that the Authority was making payments on behalf of the contracting Firm and then seeking reimbursement from this Firm. It should be noted that the amount of \$1.5 million was not recovered. This payment process lacked transparency and those responsible for it should be held to account for any resulting loss to Government.

**3.39** Another attorney was engaged as the legal counsel for the SSA in June 2009 after being selected by the Minister of the Environment. This attorney was paid the sum of \$1.04 million with respect to the drafting and perusing contracts and other legal matters, during the period he was retained by the SSA. No evidence was presented to indicate that the rates/fees were negotiated before the services of the attorney were engaged. Furthermore, no documentation was provided by the SSA to support the terms and conditions of his particular engagements.



- 3.40** The attorney was also paid \$1.13 million, inclusive of VAT, for “legal fees with respect to service provided to the Sanitation Service Authority relating to a contract for the Design, Build, Operate, Finance and Transfer of a Leachate and Liquid Waste Treatment Plant”. This payment was made directly by the Ministry of Environment and Drainage, during the financial year 2015/2016, from the funds approved by Parliament for the SSA. The legal fees submitted were calculated as three percent (3%) of the contract amount of \$32 million. No evidence was presented to verify that there was consultation with the attorney with respect to the legal services and fees before he was engaged. Furthermore, no evidence was provided to indicate what service was provided by the attorney.

**Audit Comment**

- 3.41** Overall, the method of selection and the fee payment process lacked transparency and needs to be reviewed. There was no certainty that the Authority received full value for money for these engagements.

**H. National Petroleum Corporation (NPC)**

- 3.42** The NPC reported that it engaged the services of three (3) attorneys during the period under review. The attorneys were paid \$375,128 over the period reviewed. The NPC indicated that attorneys were either selected by the Board of Directors or by Management with notification being sent to the Board.
- 3.43** The NPC presented no documentation to support the rationale for the selection of attorneys mentioned. The invoices needed to verify the list of



payments were not provided, nor was any documentation to support the terms on which the attorneys were employed. As a result, the Audit was unable to determine the methods employed by the NPC in acquiring legal services during the period reviewed, and the reasonableness of the charges.

### **Conclusion**

- 3.44** There were significant deficiencies observed with regards to the selection methods employed for the engagement of attorneys by State-owned Enterprises, the establishment of terms/conditions for engagements, and in the verification of fees. In the majority of the cases examined, the agencies did not provide evidence for the basis of the selection of the attorneys. In addition, no clear and defined policies were in place to guide the engagement process. In this regard, there was a lack of transparency with regard to the engagement and selection processes.
- 3.45** During the period reviewed (April 1<sup>st</sup>, 2007 to August 31<sup>st</sup>, 2018), the services of twenty-five (25) attorneys/law firms were engaged and paid based on work performed without first determining a basis for the fees. This resulted in a number of cases in which management sought to negotiate fees submitted for payment after the services had been provided.
- 3.46** There were services (such as drafting letters, researching, reviewing and advising on legal matters) which were not defined in the Legal Profession (Attorneys'-at-Law) (Remuneration for Non-Contentious Business) Rules, 1997. Unless there is a clear basis on which to gauge the claims submitted by the attorneys, determining whether fees are reasonable would be highly



subjective and can lead to overcharging and payment disputes which could be avoided.

- 3.47** There should be better management of the process of engaging the services of attorneys/firms given the specified nature of the services rendered and the sums paid. There is no certainty that the public interest was served in all instances where attorneys were engaged.

### **Recommendations**

- 3.48** It is recommended that:

- There should be a clear and defined written policy in place to properly manage the selection of attorneys/law firms engaged by State-owned Enterprises. Such a policy should promote transparency in terms of the selection process used.
- On engaging the services of an external legal counsel, the terms and fees, or their basis, should be negotiated and documented before work commences. This eliminates the need to seek consultation or to negotiate with the attorney, post facto.
- There should also be better management of the payment process as attorneys/firms should not be paid without work performed being verified and duly authorized.



## CHAPTER 4

# PROCUREMENT PRACTICES OF THE BARBADOS WATER AUTHORITY

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### EXECUTIVE SUMMARY

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#### Introduction

The Barbados Water Authority (BWA) is one of the largest Statutory Agencies in Barbados, with an annual budget in excess of BDS\$100 million, and a staff complement of over eight hundred (800). It was established by the Barbados Water Authority Act, CAP. 274. The main function of the BWA is to provide potable water to domestic and commercial customers in Barbados and, as such, it has entered into a number of arrangements with contractors to help achieve this mandate.

- 4.2** It has been estimated that forty-nine percent (49%) of the water pumped by the Authority was unaccounted for and this was partly due to faulty meters and undetected burst mains. As part of its efforts to reduce this loss and gain greater efficiency, the BWA has been pursuing major capital works projects, and these activities, valued at BDS \$1.49 billion have triggered a need for a review of its current procurement practices.
- 4.3** This review therefore sought to determine if the BWA was pursuing procurement practices in line with its policies, as well as the requirements of the Financial Management and Audit (Financial) Rules, 2011. The audit



also sought to determine whether the Authority was achieving value for money from these projects, taking into consideration its financial resources and commitments.

### **Tender Process**

**4.4** Of the BDS \$1.49 billion in goods and services which the Authority sought to acquire, it was observed that approximately ninety percent (90%) of these arrangements did not go out to public tender. This was in breach of the Barbados Water Authority (BWA) procurement rules and the Financial Management and Audit (Financial) Rules, 2011, which have been adopted by the Authority. These require a tender process for the acquisition of goods and services costing more than BDS\$200,000. There was no certainty about the origins of a number of these bids as no evidence was provided to indicate that they were requested by the Authority.

**4.5** The public tender process provides an opportunity for all qualifying firms to submit bids, which increases the chances of the Authority being able to obtain the best possible price the market has to offer, all things being equal. In the absence of a public tender process, it was not clear what basis the Authority had for accepting the submissions and how it determined that the services were reasonably priced. Without such a tender process it was not evident that BWA chose the best option available. In short, the procurement process lacked transparency.

### **Acquisition of Smart Meters**

**4.6** The Authority sought to replace the existing water meters with a type that would allow for remote reading and to change those that were faulty. In this



regard, a contract for the supply of ninety-eight thousand, eight hundred (98,800) smart meters was awarded to one Firm for an amount of €10,372,024 as stated in the bid document. However, it was subsequently assigned to another Firm for €11,188,112 which was €816,088 more than in the bid document. There was no evidence of any additional good or service being provided or any agreement of an adjustment to the price by the contracting parties. There was however no justifiable reason provided by the Authority for the payment of this additional sum.

#### **Payment for Consultancy Services**

- 4.7** It was observed that the equivalent of BDS\$5.50 million was paid to an overseas firm in respect of an invoice for “previous expenses, fees, reimbursable expenses and commissions for the Smart Meter Project for Barbados”. The Audit sought to clarify the nature of the services outlined and to verify whether they were actually performed. However, in discussion with Management from the Authority and the previous Chairman, there was no confirmation that any service was performed. This is a very serious matter which needs to be investigated by the relevant legal authorities.

#### **Protective Meter Boxes**

- 4.8** BWA entered into a contract with a Company on the 5<sup>th</sup> December 2014 for the supply of one hundred thousand (100,000) water meter boxes at a cost of US\$2.20 million. The payments to this Company were initiated by the previous Chairman writing to one of the Authority’s banks, instructing that the funds be paid into the Company’s bank account. This was an unusual



occurrence as payment for goods was normally carried out by members of the Accounts Department after certification that the goods were received.

- 4.9** The Director of Engineering and the Technical Advisor to the Board indicated that to install this particular type of boxes would require the meters being disconnected and reinstalled, a time consuming and costly process. This would indicate that the acquisition of these boxes was not carefully thought through. For the last four (4) years these boxes have been stored in an open area at the Belle Pumping Station. This large expenditure has so far not resulted in any apparent benefit to the Authority.

#### **Construction of Reservoir at Grand View**

- 4.10** The Authority entered into an arrangement with a Firm for the reconstruction and provision of additional storage capacity of the Grand View Reservoir in St. Michael. The initial cost of the reconstruction was estimated at \$6 million. There was no clear basis for selection of this Firm to reconstruct the reservoir; hence the selection process was not transparent. In addition, there was no evidence that the Authority sought to find other Firms to reconstruct the reservoir.
- 4.11** Subsequently, the Firm assigned the engagement to another Firm, and a revised reconstruction cost was set at BDS\$23.93 million inclusive of interest of \$7.7 million. The high financing cost was not in the best interest of the Authority.



## Desalination Plants

- 4.12** The Authority, in an effort to improve the national water supply, sought to establish a number of desalination plants across the Island. The Authority entered into two (2) contracts for the provision of permanent Seawater Reverse Osmosis Desalination Plants costing \$40.25 million and \$40.42 million per annum respectively.
- 4.13** Based on its financial commitments and the need to replace aging infrastructure, the Authority will find it difficult to meet such additional expenditure annually. No evidence was presented to indicate that these contracts were discussed with the Ministry of Finance and Economic Affairs, who would be ultimately responsible for any repayment outside the capabilities of the Authority. The Authority needs to focus on business solutions that are within the realms of its resources, or which have been provided with guarantees by the Government before proceeding with any projects.

## Supply of Pipes and Fittings

- 4.14** The Authority entered an agreement with a Firm for the supply of pipes and pipe fittings, even though this Firm was deemed ineligible as it did not conform to the required specifications. Based on an instruction from the previous Chairman, after a recommendation by the then Minister of Agriculture, the Firm was awarded the contract to provide the pipes and fittings. The contract price was BDS\$3.80 million, plus finance charges of BDS\$1.48 million to be paid over thirty-six (36) months. This was a very high interest payment on such a relatively small purchase. From a financial



perspective therefore, this agreement was not in the best interest of the Authority.

### **Conclusion**

- 4.15** BWA is operating in an environment of water scarcity and aging infrastructure that needs replacing. It is also operating with limited financial resources and, as a result, must use its funds prudently. Our review indicates that the Authority has entered into several contracts that have the potential to increase its operational costs beyond its capabilities. It is my understanding that some of these contracts are being renegotiated.
- 4.16** These Projects raised a number of concerns about contracts and their management at the Authority. There seemed to be little or no adherence to the Authority's procurement rules and a lack of sufficient financial and technical analysis of proposals prior to the selection of suppliers of goods and services. The manner in which a number of these contracts were initiated and awarded lacked transparency. In the majority of instances there was no tender process, and there was inadequate information for determining how the contracted amounts were arrived at, or how the procurement process was initiated.
- 4.17** The rationale for payment to the Firm for consultancy services has not been explained and there was no evidence of any service being provided. Appropriate legal action should be taken on those responsible for this transaction.



## Recommendations

4.18

It is recommended that: -

- i. BWA ensures that the terms of its procurement guidelines are adhered to. This requires a commitment from the Chairman and the Directors of the Board, Management and the responsible Ministry to ensure this is achieved.
- ii. The Chairman should not be making decisions that require full Board approval.
- iii. The Authority should ensure that awards of contracts are made after a rigorous competitive selection process rather than accepting unsolicited bids.
- iv. BWA should ensure that it obtains all the necessary guarantees from Government before committing itself to any agreement for which it does not have the necessary resources.
- v. The issue of the payment for the consultancy 'services provided' needs to be investigated. If no service was received, legal action should be taken against all those involved in this matter.
- vi. The BWA decides what is to be done with the meter boxes stored at the Belle Pumping Station and ensure that there is no recurrence of such purchases. The parties responsible for this state of affairs should be held to account.



- vii. The Authority also needs to be prudent in taking on any new debt and seek to renegotiate those contracts with onerous terms.



## INTRODUCTION

**4.19** Between 2010 and 2018, the Barbados Water Authority (hereinafter referred to as BWA/the Authority) entered into a number of arrangements with contractors and suppliers for the provision of goods and services at a cost of approximately BDS \$1.49 billion as outlined in the table below.

### Cost of Contracts/Agreements

Particulars	Contract Amount BDS (\$)
Debushing and continuous maintenance of pumping stations and reservoirs; routine debushing, landscaping and maintaining fifty-four (54) pumping stations	888,075.00
Debushing and continuous maintenance of pumping stations and reservoirs; routine debushing, landscaping and maintaining fifty-four (54) pumping stations	2,209,293.76
Supply of pipes and fittings over a three (3) year period at an <b>interest rate of 13% per annum. Interest would be \$1.48 million over the period</b>	5,288,025.34
Supply and maintenance of Community Water Tanks. <b>Contract is for \$67,000 per month for five (5) years</b>	4,020,000.00
Construction of Reservoir at Grand View (financed with a <b>ten (10) year</b> loan)	23,929,914.16
Supply of Desalinated Water at Trents, St. James	11,540,850.00
Drill and construct five wells at Trents St. James	1,115,649.58
Supply of Desalinated Water at Hope, St. Lucy.	10,972,150.00
Seawater Reverse Osmosis Desalination Facility at Harrison's Point, St. Lucy <b>at \$40,023,542.10 per year for 15 years</b>	600,353,131.50
Drill, construct and develop exploratory wells; analyse the information obtained from the wells and make recommendations to the Authority based on the information obtained from the wells. <b>Contract is for fifteen (15) years at an estimated average cost of \$4.58 million per year</b>	68,719,670.55
Design, Finance and Construction of Pipelines and Works. <b>Contract is for \$153,319.60 per month for eighty-four (84) months.</b>	12,878,463.40
Seawater Reverse Osmosis Desalination Plant at Gibbons/Ealing Grove, Christ Church <b>at \$40,421,786.30 per year for 15 years</b>	606,326,794.50
Acquisition of 101,200 residential smart meters and 5,530 commercial meters	33,134,723.23
Installation of Smart Meters including the Automatic Meter Reading (AMR) system	33,499,390.42
Project Management/Consultancy Services	7,200,000.00
Design, production, supply and delivery of 100,000 water meter boxes for protection of the Diehl Hydrus Smart Meter	5,144,000.00



Particulars	Contract Amount BDS (\$)
Provision of the Management Information Systems namely, Customer Information System, Workload Management System and the Financial Information System	54,000,000.00
Design, project financing, contract negotiations and technical requirements consultancy	5,500,000.00
Supply of 16,400 Itron Smart Meters including the Automatic Meter Reading (AMR) system	4,895,720.00
<b>TOTAL</b>	<b>1,491,615,851.44</b>

### Audit Objectives

- 4.20** The main objective of the Audit was to determine if the BWA had complied with its Procurement Procedures and Financial Directives, and the Financial Management and Audit (Financial) Rules, 2011 as well as its effectiveness in achieving value-for-money in respect of the acquisition of goods and services.

### Audit Scope and Criteria

- 4.21** The Audit covered all aspects of the procurement process, which included planning, sourcing and contract management for twenty (20) projects, some of which commenced as early as 2010.
- 4.22** The Audit criteria were drawn from the Procurement Procedures of BWA, the Financial Management and Audit (Financial) Rules, 2011 and the contracts/ agreements of the BWA.

### Methodology

- 4.23** During the audit, information was collected through: -



- Interviews with Technical and Managerial staff from the Barbados Water Authority, current and previous Chairpersons, and contractors;
- Reviews of the relevant files, documents and papers; and
- Analysis of the information gathered through the above methods.

### **Audit Mandate**

#### **4.24**

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



## SMART METERS PROJECT

### Background Information

**4.25** The BWA undertook a Smart Meter Project (the Project) which consisted primarily of the installation of smart meters and software systems which would have enabled the Barbados Water Authority to achieve the following:

- accurately and fully capture and maintain information on its customers and their water consumption;
- improve leaks' detection;
- implement computerised meter reading and enhance the Authority's revenue base through more accurate billings;
- computerize and reform the accounting and customer service systems; and
- provide training in change management.

**4.26** This project was part of a broader reform effort of the Authority to modernise and improve its operations. It was estimated that the project would cost over BDS\$200 million.

**4.27** The upgrade of the meter systems involved the procurement and installation of residential and commercial smart water meters, and the provision of an integrated Information Technology System. Contracts were entered into for the following:

- The supply of one hundred and one thousand, two hundred (101,200) residential Diehl smart meters;



- The supply of five thousand, five hundred and thirty (5,530) commercial Diehl smart meters;
- The installation of the smart meters and the supply and installation of the Automatic Meter Reading (AMR) system;
- The supply of one hundred thousand (100,000) meter boxes;
- The supply of sixteen thousand, four hundred (16,400) Itron smart meters;
- Consultancy services;
- Project Management Services;
- The purchase and installation of “hardware and purchase of software and relevant licences”; and
- A Loan of US\$67.91 million from a bank.

**4.28** The Audit found that, with few exceptions, the BWA did not comply with its procurement procedures or those it stated it had adopted from the Financial Management and Audit (Financial) Rules, 2011 in relation to the award of these contracts for the smart meter project. Below are the main findings of the Audit of the smart meter project.

#### **No Public Tendering**

**4.29** There was no evidence of any tendering or competitive selection process taking place for a number of the above mentioned services. It was noted that there were four (4) unsolicited bids received and accepted by the Authority as follows: -

- The submission of US\$2.75 million proposal for the contract for consultancy/project management services;



- Submission of a proposal for the supply of one hundred thousand (100,000) meter boxes for US \$2.20 million
- Submission of a proposal valued at US\$13.50 million to install eighty-two thousand (82,000) smart meters inclusive of providing 'project management services'; and
- The submission of US\$2.70 million by an accounting firm to provide consultancy and project transformation management services.

**4.30** It was not clear what basis the Authority had for accepting these bids. There was also a lack of information on how these bids were initiated, or how the Authority determined that the services were necessary and reasonably priced. Without such a process it would not be evident that the service being purchased was the best option available.

**4.31** In addition to the submissions above, there was no public tendering for the purchase of sixteen thousand, four hundred (16,400) smart meters for US\$2.45 from a Firm. In this instance, the General Manager requested that this Firm submit a proposal for the supply of these meters.

#### **Tender for the Supply of 98,800 Smart Water Meters**

**4.32** In 2012, the Barbados Water Authority invited tenders for the supply of ninety-eight thousand, eight hundred (98,800) smart water meters under a project funded by international financial institution. Five (5) bids for this procurement were received and four (4) were publicly opened on the 4<sup>th</sup> June 2012. One bid did not meet the criteria and therefore was not accepted. The acquisition of the meters was to be part funded by a loan



from an international financial institution to the tune of US\$6.80 million at an interest rate of 1.5%.

**4.33** Under the terms of the loan agreement, these tenders should have been evaluated by an Evaluation Committee, and the results forwarded to the financial institution for its approval prior to the award of the contract. The Committee was duly set up by the BWA and agreed to by the financial institution.

**4.34** It was observed that before the Evaluation Committee met, the BWA commissioned an independent technical evaluation, which was carried out by a Consultant. This Consultant recommended that the Diehl Hydrus smart water meter be purchased. Based on this recommendation, the BWA's Board of Directors entered into a contract with a Firm for the purchase of ninety-eight thousand, eight hundred (98,800) of these smart water meters. The offer to the Firm was made on the 29<sup>th</sup> August 2012 and accepted on 29<sup>th</sup> August 2012. The BWA did not seek the financial institution's "non-objection" prior to awarding the contract as was required which resulted in the institution's withdrawal of the US\$6.80 million in funding.

#### **Audit Comment**

**4.35** It was unusual for the Board to have finalized the contract while its Evaluation Committee was still reviewing the bids. This suggests that the procurement process was not being followed and the recommendation of this Committee was not relevant to the making of the decisions for this project.



### **Agreement Assigned at a Higher Amount than it was Awarded**

- 4.36** An Agreement was entered into with a Firm to supply the ninety-eight thousand, eight hundred (98,800) residential meters for €10,372,024, the amount submitted in the firm's bid. However, the Firm assigned the agreement to another Firm. The BWA then entered into a contract with this second Firm for the supply of the water meters at a cost of €11,188,112. This resulted in the Authority paying an additional €816,088. No justification was provided by officials from the Authority for this increase in price. The persons responsible for approving these arrangements should be held to account.

### **Contract for 5,530 Commercial Smart Meters**

- 4.37** In addition to the supply of domestic meters, the BWA also awarded another contract to the Firm mentioned above for the supply of five thousand, five hundred and thirty (5,530) commercial smart meters. This contract went out to tender; however, there was no evaluation of the bids by the Evaluation Committee. Instead, the selection of the Firm was based on a report from a Consultant. The contract amount for these meters was BDS\$2.29 million. The Board of the BWA in this instance did not let the tender process run its course before intervening.

### **Deficiencies in Performance Bonds**

- 4.38** The Authority entered into a contract with another Firm to install the smart meters. Each of the parties was to obtain a performance bond for



US\$337,606. This bond was a safeguard to the Authority to ensure compliance with the terms of the contract. It was noted that the performance bonds were not signed by either of the parties and did not appear to be valid.

### **Encryption Codes for Water Meters**

- 4.39** As part of its reform process, the BWA sought to automate the meter reading process and improve its accuracy. In this regard, the BWA sought to procure smart water meters which would allow information produced to be automatically downloaded to hand-held walk/drive-by units. The information obtained from the meters would then be transmitted electronically to the Authority's Information Systems to allow for billings to be generated, and provide information to be used by the Customer Service Department. A critical component of this process is the acquisition of the encryption codes which would facilitate the reading of the information downloaded from the smart meters.
- 4.40** The absence of the encryption codes have not allowed the meters to be read remotely as envisaged. The Supplier of the meters and the Authority are currently in dispute in respect of the codes. The Authority is indicating that the codes were part of the original contract and should be provided by the Supplier without any further payment. However, the Supplier of the meters is indicating that the contract was only for the supply of the meters and not for the supply of the encryption codes which must be paid for separately.



## Audit Comment

- 4.41** The origins of this problem relates to an apparent lack of clarity in the contract for the supply of the meters. Unless this matter is resolved the meters will continue to be read manually and a key reform effort, reading of meters remotely, would not have been achieved.

### **Duplication of Provision of AMR Equipment in Contracts**

- 4.42** The BWA signed an agreement on 16<sup>th</sup> October 2013 with a Canadian Agency which included the provision of the Automatic Meter Reading (AMR) equipment which would facilitate the smart meters being read remotely. A month later (19<sup>th</sup> November 2013), the Authority signed a contract with the Firm installing the meters which also included the provision of the AMR equipment for the said smart meters.
- 4.43** The Canadian Agency, upon recognizing that the acquisition of the “AMR equipment” was being provided by another vendor removed the supply of the “AMR equipment” from its scope of works in April 2016.
- 4.44** The Firm installing the meters had also included the cost of the provision of the AMR equipment in the price for the installation of the smart meters. However, the previous Chairman of the BWA agreed to “the omission of the works pertaining to the supply and installation of the drive-by/walk-by AMR system for domestic meters and the fixed network for two hundred (200) large customers valued at US\$673,850” from the contract with the Firm. Based on how the original contract was written, there was no set value for the “system”. It was therefore not clear how the figure of US\$673, 850 was arrived at.



### **Audit Comment**

- 4.45** It is not clear why the BWA would have contracts with two (2) Firms for the provision of the AMR equipment or why these Firms did not fulfill their contractual obligations. This equipment has not been installed to date and contributes to the situation where the meters cannot be read remotely.
- 4.46** Not receiving the AMR equipment and the encryption codes has contributed to the BWA continuing to use the manual system which was fraught with errors in the past. The matters highlighted above reflect poor contract management by the BWA in respect of this aspect of the project.

### **Acquisition of 16,400 Itron Meters**

- 4.47** The Authority signed a contract on the 9<sup>th</sup> March 2018 with a Firm to supply sixteen thousand, four hundred (16,400) Itron smart water meters including the encryption keys for US\$2.45 million. It should be noted that there was no tendering for these meters as the Firm was requested to submit a proposal by the General Manager.
- 4.48** The Management of the Authority should adhere to its procurement policies as this will ensure the Authority's best interests is taken into consideration with respect to its purchases. A competitive selection process allows for an assessment of market prices and provides options that the Authority can choose from in order to obtain the best value for monies expended.



## Payment of US\$2.75 million for Consultancy Services

**4.49** BWA entered into a contract with a Company on the 11<sup>th</sup> September 2013 for the “design, project financing, contract negotiations and technical requirements” in the amount of US\$2.75 million. The previous Chairman signed the contract on behalf of the BWA, and a Director signed on behalf of the Company.

**4.50** Subsequent to the entering of the contract, the payment of US\$2.75 million was made to the Company based on an invoice dated 1<sup>st</sup> November 2013. The invoice stated that this amount was for “previous expenses, fees, reimbursable expenses and commissions for the Smart Water Meter Project for Barbados.” However, based on the review of documentation provided and interviews conducted, the Audit was unable to verify that any consultancy services were provided by this Company.

**4.51** The Audit conducted interviews with:-

- Current and former employees of the Authority;
- Board Members;
- Officials from the firm providing consultancy for “project transformation management services”;
- The Technical Advisor to the Board who was previously the General Manager (Ag) of the BWA; and
- A Director of the Company.

**4.52** In addition, the Audit reached out to another Director of the said Company, who indicated that he would provide the Audit Office with information in



relation to the services provided. To date, no information has been received from this Director.

- 4.53** This matter was also discussed with the previous Chairman as well as Management of the Authority. These parties indicated that they did not know of any services provided by this Company. However, the previous Chairman indicated that he would have looked into the matter and give an explanation to the Auditor General. To date, no explanation of this transaction has been forthcoming from the previous Chairman. In addition, the Auditors requested but were not provided with any letters of offer or acceptance, tender notice or tender documents, or any Board decision/s with regard to the award of this contract.

#### **Audit Comment**

- 4.54** I am concerned that this payment was made by the Authority, without its personnel being able to identify any services rendered. This implies that there was a lapse of internal controls in respect to the payment of funds to this Company and the possibility of fraud taking place. Those responsible for this transaction should be held accountable.

### **Protective Meter Boxes**

#### **Contract for the Supply of Meter Boxes**

- 4.55** BWA and a Company entered into a contract on the 5<sup>th</sup> December 2014 for the supply of one hundred thousand (100,000) meter boxes at a cost of US\$2.20 million. The Audit requested but was not provided with any



evidence of tender documents, letters of offer, letters of acceptance, or any approval by the Board for this contract. There was no evidence that such activities were undertaken.

**4.56** The previous Chairman indicated that the Firm installing the meters had recommended that meter boxes be purchased to cover the meters as some were being damaged and/or destroyed. It was however not clear, from information made available, who ordered the boxes and whether they had been assessed to meet the specifications of the BWA. The Procurement Manager indicated that the first time he was aware of the meter boxes was when he received documents to clear the shipment from the Bridgetown Port.

**4.57** Based on the information provided, there was no evidence that a technical analysis of the suitability of these boxes for installation was undertaken. The then acting General Manager and Director of Engineering, informed the Auditors that the meter boxes were not suitable as the meters would have to be disconnected and reinstalled. Subsequently, the previous Chairman of the BWA, stated to the Auditors that the boxes could be used. However, documentation provided by him confirmed what the acting General Manager and Director of Engineering had stated.

#### **Audit Comment**

**4.58** For reasons stated above, it would be a very time consuming and costly exercise to try to install these meter covers. Even if the meter boxes were installed, to read the meters manually as is the current practice, the meter box covers, which are bolted down, would have to be removed each time the meter is being read. This would be a time consuming exercise. To date,



some five years after the acquisition of these boxes, they have not been used, resulting in millions of dollars in expenditure being made with no apparent benefit to the Authority.

### **Instructions for Payment for the Meter Boxes**

- 4.59** Instructions were issued directly to the Authority's bank by the previous Chairman to make payments to this Company for the supply of the meter boxes. It was unclear why the previous Chairman would have issued these instructions instead of the payment being processed through the Accounts Department.

### **Storage of Meter Boxes**

- 4.60** On the 9<sup>th</sup> January 2019, the Audit visited the Belle Pumping Station, St. Michael, where the meter boxes are being stored. The meter boxes were found on the grounds of the Belle Pumping Station in an open area and some were damaged. The Audit could not carry out a count due to the manner of storage and the adverse environmental conditions.

## **Governance**

### **Lack of Board Involvement in Decision Making**

- 4.61** It was observed that seventy percent (70%) of the contracts entered into by the BWA for the Smart Meter project were signed by the previous Chairman but there was no evidence in the Minutes of the Board that the other



members had given their approval. In short, there was an absence of the full involvement of the Board in these significant projects, with the previous Chairman taking on the responsibility of the Board.

### **Payment without Evidence of Service Having Been Performed**

- 4.62** There were two (2) instances where BWA paid the Contractor the full amount of the contract price, either before the goods were delivered or there being evidence that the service was performed. In both instances, the previous Chairman, who had a fiduciary duty to act in the best interest of the Barbados Water Authority, authorized the payments.

### **Conclusion**

- 4.63** The Authority undertook an ambitious project to rectify certain deficiencies and improve its operations. In this regard, it was partially successful. The majority of the smart meters have been installed. In addition, there were improvements in the sharing of customer information between the Departments within the Authority as well as in the billing system.
- 4.64** However, there were several issues which impacted negatively on the project. There seemed to have been little or no adherence to the Authority's procurement rules and a lack of sufficient financial and technical analysis of issues prior to decision making. Furthermore, there was an absence of the full involvement of the Board in the making of critical decisions relating to this project.
- 4.65** The absence of public tendering shows that there was a clear lack of transparency and does not provide confidence that the Authority obtained



the best value for money that the market could offer. Those entrusted with the funds of the Authority should always seek to obtain this objective.

### Recommendations

4.66

It is recommended that: -

- i. The Barbados Water Authority improves its governance structure by ensuring the full involvement of the Board in all major decisions.
- ii. The Authority follows its procurement rules and ensure that any funds spent rebound to its benefit.
- iii. The matter of the payment for the “consultancy services provided” needs to be explained. If no service was received, legal action should be taken against all those involved in this matter.
- iv. The Authority determines as soon as possible the way forward with purchasing the Automatic Meter Reading (AMR) equipment and encryption codes since the full benefits of acquiring the smart meters will not be realized without them.
- v. The Authority seeks to recover the monies paid to the Company for the “AMR system” which was not provided.
- vi. The Authority needs to decide what to do with the meter boxes stored at the Belle Pumping Station.



- vii. The Authority also needs to determine what action, if any, should be taken against those who ordered the boxes.



## RECONSTRUCTION OF RESERVOIR AT GRAND VIEW

### Introduction

- 4.67** The Grand View Reservoir (the Reservoir), located at Government Hill, St. Michael, was constructed in 1861. The Reservoir receives water from the Belle Pumping Station and then releases this water into Bridgetown and its environs. The Queen Elizabeth Hospital is one of the major entities served from this reservoir.
- 4.68** When the reservoir fell into disrepair, the Authority sought to have it reconstructed. A number of issues were observed with respect to this project and these are discussed in the following paragraphs.

### Issues relating to the First Firm

#### Engaging the Firm

- 4.69** The available evidence indicated that the Authority was aware of the need to reconstruct the Grand View Reservoir prior to May 2015. Board minutes indicated that the designs were completed in June 2015 and it was estimated that the construction cost would be \$6 million.
- 4.70** In October 2015, the Authority engaged the services of a Firm to reconstruct the Grand View Reservoir without going to public tender. The Authority indicated that this action was supported by Rule 239 of the Financial Management and Audit (Financial) Rules, 2011 which permits the acquisition of goods/services in cases of urgency.



**4.71** Notwithstanding that the Authority considered the repair of the Reservoir to be urgent, nothing hindered the BWA from requesting additional firms to submit proposals for the reconstruction of the reservoir within a reasonable timeframe. In this regard, no evidence was provided to indicate that the engagement of this Firm to perform this service was the best or only option available.

#### **PPP Arrangement with Firm not Clear**

**4.72** Board minutes and correspondence from the Ministry of Agriculture, Food, Fisheries and Water Resources (the parent Ministry) stated that the BWA entered into an agreement with the Firm to carry out this project, under a Public Private Partnership (PPP)<sup>1</sup> arrangement. The terms and rationale for such an arrangement were not stated in the correspondence. The Firm indicated that it was having difficulty in obtaining “a government backed guarantee” and was unable to complete the project.

#### **Assignment of Project**

**4.73** In September 2016, the Firm assigned its responsibilities with respect to the financing and reconstruction of the Grand View Reservoir to another construction Firm. The Firm was paid BDS \$1.3 million prior to the assignment. However, there was no information available in relation to the value of the work completed. In addition, the Audit Office was unable to determine the estimated value of the work still to be carried out. As a result,

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<sup>1</sup> A Public Private Partnership (PPP) is a long-term contract between the government and a private party for the delivery of public services where the private party provides the financing for the project.



it was not possible to determine the cost of the work which had to be performed by the assigned Firm.

- 4.74** The second arrangement was distinctly different since it bore no relation to the previous arrangement. The assignment should have resulted in the second Firm completing the work started by the previous Firm which had a project cost of \$6 million. However, the assigned Firm submitted a new proposal for the reconstruction of the Reservoir. The proposal for BDS\$23.93 million inclusive of interest of \$7.74 million was accepted by the Authority and a contract was awarded to the Firm.

### Issues Relating to the Second Firm

#### **No Board Approval seen for Proposal from Second Firm**

- 4.75** Correspondence dated 28<sup>th</sup> November 2017 from the Quantity Surveyor (hired by the BWA) indicated to the “assigned” Firm that the BWA had accepted its financial proposal for the “Reconstruction of the Grand View Reservoir”. However, the Auditors were not provided with evidence of the Board’s approval of this proposal.

#### **No Board Approval seen for Loan Agreement**

- 4.76** On the 9<sup>th</sup> March, 2018, the previous Chairman of the BWA signed loan documents to finance the work to be carried out on the Grand View Reservoir. No evidence was seen of the Board approving this loan. This is another example of the Board not fulfilling its fiduciary duty.



- 4.77 The table below shows the summary of the Project costs according to the Notification of Award of Contract.

#### Summary of Project Costs

Description of Cost	Amount (BDS\$)
Construction Cost	12,564,776.77
Design, Engineering and other soft cost	1,793,848.05
Construction Interest, ROI & Risk	1,829,720.49
Total Project Cost before Finance Interest	16,188,345.31
Interest- 8.35% / annum 10 years (fixed)	7,741,568.85
<b>Total Project Costs including Interest</b>	<b>23,929,914.16</b>

#### Deed of Charge

- 4.78 The previous Chairman of the BWA also signed a Deed of Charge of Revenues (document between the 2 companies that creates a security (charge) against the borrower's assets). In this case, the asset would be the revenue of the BWA as security for the due and faithful performance of BWA of all its obligations under the Loan Agreement. This meant that if the BWA defaulted on making a payment, the lender has a right to demand immediate payment from any revenue collected. This could result in BWA's finances being placed in jeopardy.

#### Conclusion

- 4.79 A written contract adds certainty to any arrangement, establishes the rights of the contracting parties and allows for monitoring of the progress of work carried out. This arrangement was however absent in the agreement with



the first firm. It is of concern that the BWA did not provide the estimated value of the work to be performed when the Project was assigned. This prevented the Audit Office from verifying whether the work carried out equated to the funds paid and also in determining the value of the work outstanding on the assignment.

- 4.80** The Authority has indicated that both arrangements were of a Public Private Partnership nature. There is no evidence that other forms of procurement were considered. The financing cost of this project is extremely high and must be a source of concern for an entity that has been struggling financially. Generally, the arrangement surrounding this project has been unsatisfactory.



## ESTABLISHMENT OF DESALINATION PLANTS & WATER WELLS

### Introduction

- 4.81** The BWA invited Expressions of Interests from “financially and technically competent entities” who wished to be placed on the short list to enter into Public Private Partnership (PPP) contracts for the design, build, financing and operation of desalination plants”. This was in an effort to provide additional water to various parts of the country. This section of the report examines issues pertaining to the establishment of these plants and the contracting of a firm to dig a number of water wells.

### Desalination Plant Mullins/Battaley’s & Trents

- 4.82** A review of the minutes of the Board meeting held on the 7<sup>th</sup> April 2016 revealed that the Board had agreed to place a temporary packaged desalination plant in the Mullins/Battaley’s area in St. Peter. The Board also agreed that the contract for the establishment of the temporary plant be awarded to a Firm who was contracted to supply and install the desalination facility. The plant was scheduled to be completed by September 2016.

### Contract Signed Before Permission Granted To Use Land

- 4.83** The BWA signed the agreement on the 14<sup>th</sup> April 2016. At this time however, the BWA had not obtained permission from the landowner. As a result, the desalination plant had to be relocated.



### Relocation of Desalination Plant

- 4.84** A site near to the well and pumping station at Trents, St. James was chosen as an alternative to the Battaley's site for the desalination plant. To date, permission has not been obtained from the landowner to run pipes across the land to the site earmarked for the desalination plant at Trents, St. James. This resulted in the desalination equipment being stored in containers at the site, with no service being provided, at a cost of BDS\$152,750 per month.
- 4.85** At January 2018, BDS\$2.22 million was paid for rental of the desalination equipment but the plant has not been set up. This has resulted in these funds being spent without the delivery of water and constituted a waste of funds by the BWA.

### Drilling Of Wells At Trents, St James

- 4.86** On the 23<sup>rd</sup> September 2016, a proposal was made to the Barbados Water Authority to drill and construct five (5) wells at Trents, St. James. The proposal was accepted by the Authority and the contract to dig the five (5) wells at Trents, St. James for an amount of \$1.12 million was awarded to a Firm via a letter dated 25<sup>th</sup> October 2016.
- 4.87** An amount of BDS\$557,824.79 (fifty percent (50%) of the cost) was paid to the Firm between the 14<sup>th</sup> November 2016 and the 6<sup>th</sup> December 2016. However, a site visit by the Auditors to Trents, St. James on the 16<sup>th</sup> November 2018 revealed that the Firm had dug and constructed only one



(1) Exploration/Monitoring well. It has been over three (3) years since funds were paid yet this project remains unfinished.

- 4.88** The BWA was to negotiate access to the land owned by the Ministry of Housing to allow the Contractor to dig the wells. However, no evidence was provided to indicate that access to the land was granted. The Authority needs to obtain permission/agreement with the landowner in order to expedite this project.

### **Desalination Plant at Hope, St. Lucy**

- 4.89** After tenders were received and evaluated, the Board agreed that the contract should be awarded to a company for a temporary desalination plant at Hope, St. Lucy. The agreement between the BWA and the company was dated the 4<sup>th</sup> April 2016. The firm was to ensure that the plant was operational by the 1<sup>st</sup> July 2016. According to the agreement, the water supply period was sixty (60) months from the commencement date of the agreement and had a value of approximately BDS\$10.96 million. The Auditors visited this plant on the 15<sup>th</sup> November 2018 and found it was fully operational.

### **Desalination Plant at Harrison's Point, St. Lucy**

- 4.90** The BWA invited a number of Firms to provide expressions of interest for the construction of a Desalination Plant at Harrison's Point, St. Lucy. The project was subsequently awarded to two of the Firms in a joint venture on the 12<sup>th</sup> December 2016. The Plant is to provide a reliable supply of desalinated water (a minimum of 27,277 m<sup>3</sup>) per day at a cost of BDS\$4.02



per cubic meter. This contract has been entered into for a period of fifteen (15) years and has a value of approximately BDS\$40 million per year.

- 4.91** The BWA executed this agreement before obtaining the permission to use the designated lands, and without knowing whether permission will be granted to change the use of the land from tourism to commercial development. It is best practice to ensure that a lease is in place for use of a property before entering into any contract to build a structure on it. Entering into the contract without the BTII granting the lease has now resulted in a delay in this project. The BWA should not have committed the land to this project without the relevant permission to use the land being in place.

### **Water Wells at Groves, St. Philip**

- 4.92** Without going to Public Tender, the Authority entered into two (2) contracts with a firm who made an unsolicited proposal for the extraction of water at Groves, St Philip. The Audit Office had requested information on the origins of the submission and on how the contract prices were derived but, to date, this has not been provided. These contracts were: -

- To investigate, abstract and supply water to the Authority at a cost of BDS \$68,719,670.55 over fifteen (15) years at an estimated average cost of BDS\$4.58 million per year. This contract was signed on the 19<sup>th</sup> November 2012.



- To design, finance, engineer, supply, install, erect, construct, and commission pipelines, pumps and tanks for chlorination facilities in order to facilitate the collection of water from the subject wells to receiving tanks and deliver said water to the BWA's receiving mains at a cost of BDS \$12,878,463.40 over an eighty-four (84) months period. This contract was signed in 2015 (day and month missing from contract).

**4.93** Based on the Minutes of the Board meeting held on the 12<sup>th</sup> January 2012, the Manager, Engineering noted that there was no indication as to how the cost in the proposal had been arrived at. It would have been expected that a thorough financial analysis of such large proposals would have been provided to the Board prior to the award of these contracts. In the absence of this analysis and a lack of competing bids, the reasonableness of this project could not be determined.

#### **Inadequate Capacity to receive Water being paid for**

**4.94** The first contract stipulated that the Authority would be purchasing 11,364 cubic meters daily or 4.15 million cubic meters per year. However, the BWA did not have the mains capacity to take the amount of water contracted. This resulted in the BWA paying for water for which it did not have the capacity to process.

**4.95** The Director of Engineering stated that the BWA needed to install 10 inch and 12 inch mains to distribute the additional water contracted but not currently being produced. He was of the view that this water would



eventually be utilized by other areas. It has however been over seven (7) years since the start of the contract and the capacity is still not in place.

### **Desalination Plant at Gibbons/Ealing Grove, Christ Church**

- 4.96** The Authority, in an effort to improve the supply of potable water to the south of the island, sought to establish a Desalination Plant in Gibbons/Ealing Grove, Christ Church. To this end, the Authority invited Expressions of Interest from parties with experience in the construction/operation of Desalination Plants. The Board decided that the contract for the building of the plant should be awarded to a joint venture. Furthermore, as decided by the Board, the previous Chairman wrote the other companies thanking them for their Expressions of Interest.
- 4.97** However, on the 5<sup>th</sup> October 2016, the previous Chairman signed a Water Supply Agreement with another Company to construct a Desalination Plant at Gibbons/Ealing Grove, Christ Church. The Agreement stipulates that the desalination water delivery period “shall continue for fifteen (15) years” at an estimated cost of BDS\$40.42 million per year or BDS\$606.32 million over the fifteen (15) year period.
- 4.98** The Authority’s Procurement procedures required that all capital works be put out to public tender and, after evaluation of the bids, a supplier is awarded the contract for the good or service. There was however no information provided as to why this Company was chosen or how the contract price was arrived at.



### Audit Comment

- 4.99** Given the substantial amounts of money involved, it would have been expected that the Authority would have adhered to its Procurement Policies and Guidelines and selected a firm based on a competitive selection process after a thorough examination of all bids. However, no supporting evidence was provided to show that this process was complied with in the selection of the Company granted the contract. The basis for selecting the Company to provide the desalination plant was not made clear to the Auditors.

## SERVICE CONTRACTS

### Introduction

- 4.100** In addition to the previous contracts, the Audit Office also reviewed arrangements entered into with a number of service contractors not related to the supply of water and the findings were as follows:

### Maintenance Contracts

#### Contract for BDS\$888,075.00

- 4.101** The BWA on two (2) occasions entered into contracts for the de-bushing, landscaping and maintenance of its fifty-four (54) pumping stations and reservoirs. The first contract came into effect on 4<sup>th</sup> January 2016 and expired two (2) years after. The cost of the contract was a fixed sum of BDS\$880,075.00 payable in twenty-four (24) monthly installments.



- 4.102** There was no evidence that this contract for services went out to tender. In addition, no information was made available to the Auditors on how this service was initiated or how the Authority determined that this cost was reasonable. Without a competitive process available it would not be clear if the price were reasonable.

#### **Contract for BDS \$2.21 million**

- 4.103** The BWA further engaged the Service Contractor for a fixed sum of BDS \$2.21 million, for the de-bushing, landscaping and maintenance services at its pumping stations and reservoirs. Under this contract, the BWA was required to pay forty-eight (48) monthly installments of BDS\$46,026.96. No information was provided as to how the Authority determined that this cost was reasonable. It should also be noted that the work was not awarded based on any competitive selection process.

#### **Contract for Plumbing Supplies**

- 4.104** The Authority invited tenders to supply various pipes and pipe fittings. Ten (10) tenders were evaluated on 22<sup>nd</sup> April 2016 by the Evaluation Committee who determined that firms receiving eighty (80) percentage points and above would be considered for the award of the contract. In this regard, the Evaluation Committee selected three (3) firms to be considered for the award of contract. The firm which was eventually chosen received sixty-nine percentage points (69%), eleven (11) points less than the eighty percentage points (80%) required to be considered for selection.



**4.105** It should however be noted that on receipt of a recommendation dated 13<sup>th</sup> July 2016 from the then Minister of Agriculture “to engage the firm regarding the Pipes and Fittings Tender”, the previous Chairman instructed the General Manager to “give effect to the Minister’s directive”. Subsequently the Procurement Manager, in a letter dated the 28<sup>th</sup> July 2016, wrote the Firm that was eventually awarded the contract requesting that it “submit a proposal for the financing of the tender, inclusive of any payment schedule and any changes necessary to finance the pipes and fittings for one (1) year”. This letter was copied to the Chairman of the Audit, Finance and Tenders Committee. On the 30<sup>th</sup> September 2016, the Authority awarded the said Firm the contract to supply various pipes and pipe fittings for BDS\$3.80 million plus interest of BDS\$1.48 million to be paid over thirty-six (36) months at BDS\$146,890 per month.

#### **Audit Comment**

**4.106** The Authority entered an agreement with the Firm for the supply of pipes and pipe fittings, even though this Firm was deemed ineligible as it did not conform to the required specification. Furthermore, the finance charge of BDS\$1.48 million was a very high interest payment on such a relatively small purchase.

#### **Supply of Community Tanks**

**4.107** The BWA entered into a contract with a Company for the supply of community water tanks to a number of locations. This Company had made an unsolicited proposal to supply community water tanks with varying capacities of one thousand (1,000), two thousand (2,000) and three



thousand (3,000) gallons, and install them at various critical points where water outages mostly occur. These tanks were to be fully maintained by the Company over five (5) years at a cost of BDS\$67,000 monthly.

#### **Audit Comment**

- 4.108** The Authority should have gone to public tender for the supply of these community tanks rather than accepting the first proposal submitted. The tender process provides information on the price of what various suppliers are willing to accept to provide a good or service. Without such a competitive process the Authority would not be certain that it was receiving the best value for its money.

#### **GENERAL COMMENT**

- 4.109** The Authority entered into a number of contracts for various services and supplies during the period under review. However, these arrangements were not in line with their tender policies, and lacked evidence as to how the Authority determine that the contracted sums were reasonable. The decision making in respect of these contracts was clearly not in the best interest of the Authority.
- 4.110** It is my understanding that a number of these projects have been halted due to a renegotiation process involving all the contracts of the BWA and its suppliers.



## Recommendations

### 4.111 It is recommended that:

- The Board of the Authority needs to take on its responsibility in approving contracts.
- BWA ensures that its' legal, technical and financial personnel review all contracts prior to their being agreed upon.
- BWA ensures that the terms of its procurement guidelines are adhered to; that there is value for money for the services and goods received; and that any funds spent redound to its benefits and do not place its finances in jeopardy.
- BWA personnel are deployed to monitor the work performed by the service contractors, to ensure that only work related to the project as contracted is performed and that it is executed in a satisfactory manner.
- BWA ensures that it obtains all the necessary guarantees from Government before committing itself to any agreement for which it does not have the resources to fund.
- Due diligence should be carried out to ensure that contractors who are selected are financially and technically capable of performing the contract.



- A signed contract should exist between BWA and the contractors before any works are started.
- A record of the terms of all contracts, all work to be carried out and the cost of the work should be recorded and maintained.
- Status reports on each project should be prepared and utilized to monitor their progress and to ensure payments are made only for works completed.
- Persons who committed the BWA to financial obligations without written contracts should be held to account.
- The Authority also needs to be prudent in taking on any new debt and seek to renegotiate contracts with onerous terms.



### **Barbados Water Authority's Response**

*While the findings of the Barbados Audit Office have highlighted short-comings and weaknesses in the business process of the Barbados Water Authority for the contracts and period under review, they noticeably reflect the failings of proper corporate governance.*

*In all instances where the Auditor General has expressed concern, there is a clear path as to the level of decisions made or directives issued where management has had to comply in relation to contract implementation that have all been executed beyond that of the Senior Management Team – sometimes without due regard to the procurement and tendering process. Having said that, some decisions made in context were proffered on the basis of significant urgency and limited funding.*

*We believe that this assessment is geared toward establishing and maintaining an operating and governance framework that provides reasonable assurance that:*

- *The Authority's assets are adequately and appropriately safeguarded.*
- *Current and future transactions are conducted in an environment of transparency that reinforces responsibility and accountability, and aligns with established policies.*



## CHAPTER 5

### Audit of Statutory Boards, Government Companies and Controlled Entities

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**T**he Office of the Auditor General is responsible for reporting to Parliament on the audit of the accounts of all Government Agencies, including Statutory Bodies, Funds and other controlled entities. It should however be noted that the accounts of some of these entities are audited by my Office; however, the majority are audited by private sector auditors.

- 5.2** This chapter outlines the status of the audits of Boards, other State Agencies and Funds at 31<sup>st</sup> December 2019. It is divided into two sections. The first contains reports on those entities audited by the Barbados Audit Office, and the second reports on the entities that are audited by private sector auditors.

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

##### **Arts and Sports Promotion Fund**

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



- 5.4** The Financial Statements for the years ended 31<sup>st</sup> March 2014 to 2017 have been submitted to the Audit Office and will be audited during 2020. The Financial Statements for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2019 have not been presented to the Office for auditing to date.

#### **Barbados Boxing Board of Control**

- 5.5** The Barbados Boxing Board of Control oversees the promotion and regulation of boxing in Barbados. The Board receives an annual grant from the Barbados Government, and is required to have its accounts audited by the Barbados Audit Office. The Financial Statements for the 2016 to 2019 have not been presented to the Office for auditing to date.

#### **Barbados Community College**

- 5.6** The audit of the accounts of the Barbados Community College (BCC) is conducted in accordance with Section 10 (1) of the Barbados Community College Act, Cap. 36.
- 5.7** The audit of the accounts for the Financial years ended 31<sup>st</sup> March 2011 to 2013 were subcontracted to Private Sector auditors and have been completed. The accounts were given a qualified opinion by the auditors mainly as a result of the auditors not being provided with relevant information in order to verify the value of the fixed assets. These were being brought to account for the first time in 2011 when the College changed its accounting system from a cash basis to an accrual basis.
- 5.8** The Financial Statements of the College for the financial years ended 31<sup>st</sup>



March 2014 to 2019 were audited by members of staff of my Office during 2019. The audits of the accounts of the College are therefore up to date. These accounts were qualified as the accounts receivables contained amounts due from students who were accepted for entry by the College but never attended. The receivable figures needed to be adjusted since it contains amounts relating to these applicants which were not due to the College. At the 31<sup>st</sup> March 2019 the receivables totaled \$6 million.

### **Barbados Defence Force**

- 5.9** The Financial Statements of the Barbados Defence Force for the financial years ended 31<sup>st</sup> March 2015 and 2018 are currently being audited by my staff. The audit of the accounts for the financial year ending 31<sup>st</sup> March 2019 is however outstanding.

### **Barbados Community College Hospitality Institute**

- 5.10** The Barbados Hospitality Institute falls under the aegis of the Barbados Community College. This Institute conducts training for persons pursuing careers in the Hospitality Industry. The accounts for the financial years ended 31<sup>st</sup> March 2011 and 2019 were audited during 2019.
- 5.11** There were some issues impacting on the fair presentation of the accounts. These include the absence of supporting schedules in relation to accounts receivables and other assets. As a result, a qualified opinion was given in respect of the accounts presented.



### **Barbados Liaison Service – Miami**

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

### **Barbados Liaison Service – Toronto**

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

### **Caribbean Centre for Development Administration (CARICAD)**

- 5.14** The Caribbean Centre for Development Administration (CARICAD) provides assistance to the countries of the Caribbean region for the purpose of improving their administrative capability. The Financial Statements for the Financial Years ended 31<sup>st</sup> March 2015 to 2018 are in the final stage of being audited.

### **Catastrophe Fund**

- 5.15** The Catastrophe Fund was established by the Government of Barbados in 2006 and is administered by the National Insurance Fund. This Fund provides financial aid to persons with homes valued at no more than \$150,000 which are damaged by a catastrophe.



- 5.16** The audit of the accounts of the Catastrophe Fund for the year ended 31<sup>st</sup> December 2009 to 2010 has been completed. The audit of the accounts for the years ended 2011 to 2014 are in progress. However, accounts for the financial years 2015 to 2018 have to date not been submitted to the Office for auditing.

### **Central Liaison Service**

- 5.17** The Central Liaison Service (Regional Security System) is a regional security organization headquartered in Barbados and supported by a number of Caribbean countries. Its functions include assisting with the fight against illegal narcotics, and combating threats to national security in member states. The audits of the Financial Statements of the Central Liaison Service are currently being conducted by auditors in the private sector.

### **Community Legal Services Commission**

- 5.18** The Community Legal Services Commission provides legal aid to persons in the country who need assistance, and meet the established criteria. As indicated in my previous report, the audit of the accounts of the Commission has fallen into arrears and this is mainly as a result of difficulties in determining the payable outstanding. The Commission has many cases outstanding and a value on these cases needs to be established. The audits of the accounts for the financial years ended 31<sup>st</sup> March 2011 to 2019 are outstanding. The Commission needs to make a greater effort to make its accounts available to be audited.



### **Erdiston Teachers' Training College**

- 5.19** The Erdiston Teachers' Training College is an educational institution established for the training of teachers. The accounts of the College for the financial years ended 31<sup>st</sup> March 2013 to 2019 have not been submitted for audit. The audits of the Financial Statements for this period are therefore outstanding. The College needs to make a greater effort to make its accounts available to the auditors so that they can be audited in a timely manner.

### **National Assistance Board**

- 5.20** The National Assistance Board (NAB) provides assistance to poor and needy persons in the country in a variety of ways, and this includes providing a Home Help Service. In accordance with Section 6 (2) of the National Assistance Act, Cap. 48, the National Assistance Board is required to submit its annual accounts, within three months of the end of each financial year, to the Auditor General for audit.
- 5.21** The audit for the year ended 31<sup>st</sup> March 2019 has been completed. As a result, the audit of the accounts are currently up to date. The Board has not been abating (reducing) the pensions of those workers who came into the service after September 1975, by amounts received as National Insurance pensions as required by the Pension Legislation. This matter has been brought to the attention of the Board and management of the NAB by my Office for several years; however no action has been taken to resolve the matter.



### **National Insurance Fund**

**5.22** The audit of the accounts of the National Insurance Fund continues to be a challenging exercise; however, some progress was made during 2018 with the completion of audits for 2007-2009 which were assigned to private sector auditors. The audit for the 2010 financial year was completed in 2019 while that for 2011 is in progress. However, the audits for the financial years ended 31<sup>st</sup> December 2012 to 2018 are currently outstanding.

**5.23** As highlighted in previous reports there are challenges in bringing the audit of this Fund up to date. The first relates to the preparation and presentation of the financial statements and schedules in order for the Auditor to perform their tasks. In this regard, the absence of relevant information for the 2011 financial year has slowed audit work. I have assigned a number of officers to work exclusively on the audit of the funds of the National Insurance Department in 2020. In order to bring the audit of the Fund up to date, the submission of accounts and supporting schedules must be done in a timelier manner. If current trends continue, the Office would be hard pressed to complete the audit of more than two or three years during 2020 and this is unacceptable for a Fund of such significance to the Country.

### **Retraining Fund**

**5.24** The Retraining Fund was established in 2010 by the National Insurance and Social Security (Amendment) (No. 2) Act, 2010-9, and is operated under the management and control of the National Insurance Board. The Fund provides funding for the retraining of persons who have become unemployed. The training is administered by the National Employment



Bureau. The accounts of the Fund for the financial years ended 31<sup>st</sup> December 2015 to 2018 have not been presented for audit and are therefore outstanding.

### **Samuel Jackman Prescod Institute of Technology**

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

**5.26** The Institute has not submitted financial statements for audit on a consistent basis for the past twenty years. Statements were submitted for the 2014 to 2016 financial years and these were audited. These statements were however not signed by management and the Board and therefore no audit opinion has been given. Statements for the financial years ending 31<sup>st</sup> March 2017 to 2019 have not been submitted to the Office and hence an audit of these accounts have not been conducted for these years.

### **Sanitation Service Authority**

**5.27** The Financial Statements of the Sanitation Service Authority for the financial years ended 31<sup>st</sup> March 2014 to 2019 were audited during 2019. The reports for the 2014 to 2018 financial years were qualified because of the absence of expenditures that were not included in these financial



statements. In respect of the 2019 statements the Authority changed its basis of accounting from cash to accrual. There was however no documentation in support of the opening balances for value of assets listed in the financial statements, and this resulted in the accounts receiving a qualified audit opinion.

### **Severance Payment Fund**

- 5.28** The Severance Fund was established by the Severance Payment Act, Cap. 355A. The audit of the accounts of the Severance Fund for the financial years ended 31<sup>st</sup> December 2010 to 2012 are currently in progress. Accounts for the period 31<sup>st</sup> December 2013 to 2018 have not been made available to the Audit Office for audit; hence these audits are currently in arrears.

### **Sugar Factory Smoke Control Board**

- 5.29** The Revenue and Expenditure Accounts of the Sugar Factory Smoke Control Board for the years ended 31<sup>st</sup> December 2001 to 2019 have not been submitted for audit in accordance with Section 3 (11) of the Registered Sugar Factories Smoke Control Act, Cap. 355. The audit of the accounts of the Board for these years is therefore outstanding.

### **Sugar Industry Research and Development Fund**

- 5.30** The audit of the Receipts and Payments Accounts of the Sugar Industry Research and Development Fund for the financial years ended 31<sup>st</sup> December 2012 has been completed. The audit of the Accounts for the



financial years ended December 2013 to 2018 is outstanding.

### **Sugar Workers' Provident Fund**

- 5.31** The Sugar Workers' Provident Fund provides pensions and funeral grants to persons previously employed in the Sugar Industry, and who were not entitled to a contributory pension under the National Insurance and Social Security Act. The financial statements for the financial years ended 31<sup>st</sup> December 2010 to 2013 were audited by the Audit Office and reports issued during 2019. The financial statement for the financial years ending December 2014 to 2018 have not been submitted for audit and as a result are currently outstanding.

### **Transport Authority**

- 5.32** The Transport Authority was set up on 1<sup>st</sup> August 2008 to regulate, monitor and plan for public transportation in Barbados. The financial statements for the years ended 31<sup>st</sup> March 2010 to 2014 were submitted to my Office and the audit is currently in progress. As a result of the non-submission of financial statements by the Authority, the audits of the accounts for the financial years ended 31<sup>st</sup> March 2015 to 2019 are outstanding.

### **Unemployment Fund**

- 5.33** The Unemployment Fund, which is administered by the National Insurance Department, pays benefits to those qualifying persons who were laid off from work. The accounts for the financial years ended 31<sup>st</sup> December 2014 to 2018 have not been submitted for audit and as a result the audits for this



period remain outstanding.

### **Audits of State Agencies Conducted by Private Sector Auditors**

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

#### **Statutory Boards and Government Companies**

##### **Barbados Agricultural Credit Trust Ltd.**

- 5.35** The principal activity of the Barbados Agricultural Credit Trust Ltd. (BACTL) is the management of the debt of the Barbados Sugar Industry Ltd. (BSIL) and the Heavily Indebted Plantations (HIPs), a responsibility which was assumed from the Barbados National Bank in the form of a portfolio transfer. The audit of the accounts for the financial years ended 31<sup>st</sup> March 2014 to 2019 is outstanding. The Trust has indicated that it continues to experience financial and other challenges which impact its ability to have the accounts audited in a timely manner.



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

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

**5.37** The Corporation reported that the audit of the Financial Statements for the year ended 31<sup>st</sup> December 2014 was completed. The auditor issued a Disclaimer of Opinion as inventory of \$1,226,824 was not verified. At the time of writing, the audits for the financial years as at 31<sup>st</sup> March 2018 and 2019 were in progress. The Corporation reported that the audit for the intervening years 2015 to 2016 will be performed subsequently. Therefore, these audits are also outstanding.

### **Barbados Agricultural Management Co. Ltd**

**5.38** The Barbados Agricultural Management Co. Ltd is a subsidiary of the Barbados Agricultural Trust Ltd, whose sole shareholder is the Government of Barbados. The Company is involved in the cultivation of sugarcane and non-sugar crops, and it manages and operates the sole sugar factory on the Island. The Company has indicated that its accounts have been audited



up to the period 30<sup>th</sup> June 2017. The audits for the financial years ended 31<sup>st</sup> March 2018 to 2019 are outstanding.

### **Barbados Cane Industry Corporation**

- 5.39** The Barbados Cane Industry Corporation was established under the Companies Act of Barbados to restructure the sugar cane industry. The Corporation indicated that the audit of the Financial Statements for the financial year ended 31<sup>st</sup> March 2014 was completed. The Corporation previously indicated that scheduling problems with the auditors were delaying the completion of audits for subsequent years. The audits of the accounts for the years 2015 to 2019 were therefore outstanding.

### **Barbados Conference Services Ltd.**

- 5.40** The Barbados Conference Services Ltd. (BCSL) is responsible for the operations of the Lloyd Erskine Sandiford Centre, and provides destination management and transport services under the brand names, “Horizon Events’ Planners” and “Horizon Coaches and Tours” respectively. The BCSL reported that the audit of the financial statements for the financial year ended 31<sup>st</sup> March 2019 is completed.

### **Barbados Investment and Development Corporation**

- 5.41** The Barbados Investment and Development Corporation (BIDC) was established under the Barbados Investment and Development Corporation Act, 1992 – 30 for the purpose of developing Barbados’ industrial, offshore financial, export and other related activities. The



Corporation has indicated that the audit of its accounts has been completed up to the financial year ended 31<sup>st</sup> March 2019.

#### **Barbados National Oil Company Ltd.**

**5.42** The Barbados National Oil Company Ltd. (BNOCL), through its wholly owned subsidiary, is involved in the exploration and production of crude oil, natural gas and liquefied petroleum gas (LPG). The BNOCL is also engaged in the processing of crude oil and the sale of petroleum products to the Barbados market.

**5.43** The audits of the accounts of the BNOCL for the financial year ended 31<sup>st</sup> March 2019 have been completed. The audit of the accounts are therefore up to date.

#### **Barbados National Terminal Company Limited**

**5.44** The Barbados National Terminal Company Limited is a Limited Liability Company, and a wholly owned subsidiary of the Barbados National Oil Company Limited. Its principal activity is the storage and distribution of petroleum products on behalf of its parent company. The audits of the accounts have been completed up to the financial years ended 31<sup>st</sup> March 2019.

#### **Barbados Port Inc.**

**5.45** The principal activity of the Barbados Port Incorporated is to manage the Port of Bridgetown, for the main purpose of enabling the Port to operate as



a commercial entity. The Authority has indicated that the audits of the accounts for the financial year ended 31<sup>st</sup> March 2018 and 2019 has been completed. The audit of its accounts are therefore up to date.

### **Barbados Tourism Authority**

**5.46** The principal activities of the Barbados Tourism Authority (BTA) were to promote, assist and facilitate the efficient development of tourism, and to design and implement suitable marketing strategies for the effective promotion of the tourism industry. This entity has been replaced by the Barbados Tourism Marketing Inc. and the Barbados Tourism Product Authority, which are reported on in succeeding paragraphs.

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

### **Barbados Tourism Marketing Inc.**

**5.48** The Barbados Tourism Marketing Inc. (BTMI) reported that the audits of the accounts for the financial years ended 31<sup>st</sup> March 2014 to 2019 are in progress.

### **Barbados Tourism Product Authority**

**5.49** The Barbados Tourism Product Authority has merged with the Barbados Tourism Marketing Inc. which has indicated that outstanding audits for the



2015-2019 financial years are in progress.

#### **Barbados Tourism Investment Inc.**

- 5.50** The principal activities of the Barbados Tourism Investment Inc. are the facilitation of tourism investment in Barbados, and the development of its vested properties in private and public partnerships. A year ago the Corporation had reported that the audits of the accounts for the financial years ended 31st March 2014 to 2018 were being conducted. These audits along with the one for 2019 are reported as in progress.

#### **Barbados Vocational Training Board**

- 5.51** The Barbados Vocational Training Board, previously called the National Training Board, was established under the Occupational Training Act, 1979, Cap. 42. Its purpose was to ensure an adequate supply of trained manpower through occupational training for apprentices and trainees in the country.

- 5.52** The Board has indicated that the audit of the accounts for the financial year ending March 31, 2015 has been completed. The audits of accounts for the period 2016 to 2019 are outstanding. Management needs to ensure that the necessary action is taken so that its accounts for these years are audited.

#### **Barbados Water Authority**

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



of the Waterworks Department on the “appointed day”, which is regarded as 1<sup>st</sup> April 1981. The BWA reported that the audit of the accounts for the financial years 2015, 2016 and 2017 were completed. Therefore, the audits for the financial years 2018 to 2019 are currently outstanding.

### **Caribbean Broadcasting Corporation**

- 5.54** The principal activity of the Caribbean Broadcasting Corporation (Corporation) is the provision of broadcasting services through radio and television. The Corporation reported that the audits of the accounts up to the financial years ended 31<sup>st</sup> March 2019 have been completed. The Corporation was issued a Disclaimer of Opinion as the Auditors were unable to confirm or verify by alternative means accounts receivable of \$2,856,369 as at 31<sup>st</sup> March 2019. The Corporation had also been issued with a Disclaimer of Opinion for the 2018 financial statements as inventory of \$699,754 was not verified by the auditors, as they were appointed after 31<sup>st</sup> March 2018 and thus did not observe the inventory count, and were unable to verify it by other means.

### **Caves of Barbados Ltd.**

- 5.55** Caves of Barbados Ltd. (CBL) is mandated under the Caves Act 2000-12 to manage and develop Harrison’s Cave and any other caves in Barbados. The CBL indicated that the audit of the Financial Statements for the year ended 31<sup>st</sup> March 2019 was completed. The auditors however did not offer an opinion on the statements as adjustments to balances totaling \$1.594 million could not be confirmed or verified as accurate.



### **Central Bank of Barbados**

- 5.56** The Central Bank of Barbados is incorporated under the Central Bank of Barbados Act CAP 323C and is responsible for the administration of the Financial Institutions Act, CAP 324A, and the International Financial Services Act, CAP 325. Its main responsibility is to formulate, in association with Government, monetary and fiscal policies to assist with the country's economic development programme. The audit of the Financial Statements as at 31<sup>st</sup> December 2018 was completed and up to date.

### **Child Care Board**

- 5.57** The principal activities of the Child Care Board are to provide and maintain child care institutions for the safe keeping of children in need of care and protection; and to make grants to voluntary organizations or bodies operating child care institutions. The Board has reported that the audit of its accounts for the financial year ended 31<sup>st</sup> March 2019 has been completed.

### **Enterprise Growth Fund Limited**

- 5.58** The principal activity of the Enterprise Growth Fund Limited (EGFL) is the provision of loan financing and venture capital to dynamic, small and medium sized Barbadian companies in the productive sectors. The EGFL also provides business advisory services and technical assistance to its client companies. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2019 has been completed.



### **Fair Trading Commission**

- 5.59** The principal activity of the Fair Trading Commission (FTC) is to enforce the Utilities Regulation Act, Cap. 282, the Telecommunications Act, Cap. 282B, the Fair Trading Competition Act, Cap. 326C and the Consumer Protections Act, Cap. 326D. The Commission is required to promote efficiency and competitiveness, and improve standards of service and quality of goods and services supplied by service providers and business enterprises over which it has jurisdiction. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2019 has been completed.

### **Financial Services Commission**

- 5.60** The Financial Services Commission (FSC) commenced operations on 1<sup>st</sup> April 2011 under the Financial Services Commission Act, 2010. The Commission represents an amalgamation of the offices of the former Registrar of Co-operatives, the Securities Commission and the Supervisor of Insurance and Pensions.
- 5.61** The functions of the Financial Services Commission (FSC) include the supervision and regulation of the operations of financial institutions, the establishment of standards for institutional strengthening for the control and management of risk in the financial services sector, and for the protection of customers of financial institutions, as well as creditors and the public. They also include the promotion of stability, public awareness and public confidence in the operations of financial institutions. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2019 has been completed.



### **Grantley Adams International Airport Inc.**

- 5.62** The Grantley Adams International Airport Inc. (GAIA) is responsible for the commercial operations and management of the airport in accordance with the Grantley Adams International Airport (Transfer of Management and Vesting of Assets) Act (Act 2003-3). The GAIA has reported that the audit of the Financial Statements for the financial year ended 31<sup>st</sup> March 2019 has been completed.

### **Hotels and Resorts Ltd.**

- 5.63** Hotels and Resorts Ltd. was incorporated under the Laws of Barbados on 27<sup>th</sup> December 1995. The principal activity of Hotels and Resorts Ltd. is the investment in, and development of hotel premises. The audit of the Financial Statements for the period ended 31<sup>st</sup> March 2019 was completed and an unqualified opinion was issued. The audit of the accounts were therefore up to date.

### **Islandcrafts (Barbados) Inc.**

- 5.64** The principal activity of Islandcrafts Inc. is the sale and marketing of indigenous handcraft items. It was reported that Islandcrafts Inc. ceased operations during 2015. The audit of the Financial Statements for 2014 has been completed and presented to the Office. The audit of accounts for 2015 however remains outstanding.



### **National Conservation Commission**

- 5.65** The principal activity of the National Conservation Commission (the Commission) is the management, maintenance and development of the public parks, beaches and open areas of Barbados. The audit of the accounts of the Commission has been completed up to the financial years ended 31<sup>st</sup> March 2013. The Commission for the third year reported that the audits of the accounts for subsequent years were in progress. In this regard, the audit of the accounts for financial years ended 31<sup>st</sup> March 2014 to 2019 are outstanding.

### **National Council on Substance Abuse**

- 5.66** 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 accounts of the Council are audited by auditors from the private sector; however, due to budgetary constraints the Barbados Audit Office was requested to conduct the audits of the accounts, for the financial year ended 31<sup>st</sup> March 2011 to 2019. The audit of the accounts for this agency are therefore up to date.

### **National Cultural Foundation**

- 5.67** The principal activities of the National Cultural Foundation (the Foundation) are to stimulate and facilitate the development of culture, organize and assist in cultural activities, and develop, maintain and manage theatres and other cultural facilities and equipment provided by the Government of Barbados. The Foundation has reported that the audit of the accounts for



the financial year ended 31<sup>st</sup> March 2019 has been completed.

### **National Housing Corporation**

**5.68** The National Housing Corporation is a state agency which has responsibility for the development of land and the construction of housing units for sale or rent to low and middle-income persons. The Corporation has reported that the audit of the accounts for the financial years ended 31<sup>st</sup> March 2012 is in progress. The audits for the financial years ended 31<sup>st</sup> March 2015 to 2019 are currently outstanding.

**5.69** The Corporation has reported that it has been experiencing staffing challenges within the accounts department with the loss of senior staff, some of whom were assigned to assist the Auditors. In addition, there is the non-integration of most of the Corporation's sub ledgers as well as the absence of a functional financial reporting tool. The Corporation has indicated that due to the backlog of audits spanning more than six years, it has been experiencing difficulty in adequately researching some of the outstanding audit issues. The Corporation has indicated that it is seeking to fill vacant posts and will be submitting its accounts to the Auditors in their current state.

### **National Productivity Council**

**5.70** The principal activities of the Barbados National Productivity Council (BNPC) are to create and develop methodologies for measurement, management and improvement in the public service and private sector, and to provide technical advice and assistance for devising productivity- related



payment schedules. This agency was abolished in 2019.

### **National Petroleum Corporation**

- 5.71** The National Petroleum Corporation (the Corporation) has as its principal activity the supply of natural gas to industrial, commercial and domestic customers. The Corporation has indicated that the audits of the accounts for the financial years ended 31st March 2016 to 2018 which were outstanding have been completed. The audit of the accounts for the financial years ended 31<sup>st</sup> March 2019 is however outstanding.

### **National Sports Council**

- 5.72** The principal activities of the National Sports Council (NSC) are to maintain and develop sporting facilities provided for public use, and to stimulate the development of sports in Barbados. The Council reported that the audits of the accounts for the financial years ended 31<sup>st</sup> March 2013 to 2019 are in progress.

### **Needham's Point Holdings Limited**

- 5.73** Needham's Point Development Inc. was incorporated under the Companies Act of Barbados on 13<sup>th</sup> January 1999, its sole shareholder being the Government of Barbados. The principal activities of the company are the ownership and operations of the Hilton Hotel. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2019 has been completed.



### **Needham's Point Development Inc.**

- 5.74** Needham's Point Development Inc. was incorporated under the Companies Act of Barbados on 22<sup>nd</sup> August 1996, its sole shareholder being the Government of Barbados. The principal activity of the company is to oversee the development of the lands at Needham's Point. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2019 has been completed.

### **Queen Elizabeth Hospital**

- 5.75** The Queen Elizabeth Hospital (the Hospital) 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.
- 5.76** The Hospital has reported that the audit of the accounts for the financial year ended 31<sup>st</sup> March 2011 has been completed. The audits of the accounts for the financial years ended 31<sup>st</sup> March 2012 to 2019 are outstanding. The Hospital has indicated that, over the years, audits have been plagued with the slow appointment of auditors, and the lengthy turnabout times to supply the relevant information as requested. The Hospital has indicated that a reorganization of the human resources (finance) function has commenced in an effort to improve turnabout times. The Hospital has also indicated that Auditors have been appointed unto 2021.



### **Rural Development Commission**

- 5.77** The Rural Development Commission (the Commission) was incorporated on 21<sup>st</sup> 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. The Commission reported that the audit of the accounts for the financial year ended 31<sup>st</sup> March 2009 is being finalized. In this regard, it should therefore be noted that the audits of accounts for the financial years ended 31<sup>st</sup> March 2010 to 2019 are outstanding.

### **Student Revolving Loan Fund**

- 5.78** The Student Revolving Loan Fund (the “SRLF”) was established under the Student Revolving Loan Fund Act, 1976-20. The principal activity of the Fund is the provision of loans to eligible Barbadians pursuing full-time studies in post-secondary, technical, vocational, undergraduate and graduate programmes. The Fund has indicated that the audit of the accounts of the Fund for the financial year ended 31<sup>st</sup> March 2019 has been completed and was therefore up to date.

### **Technical and Vocational Education and Training (TVET) Council**

- 5.79** The principal activities of the Technical and Vocational Education and Training (TVET) Council are to provide advice on policy, and to prepare plans and establish standards for technical and vocational education at the tertiary level, in accordance with national policies and economic needs. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2019 was



reportedly in progress.

### **Transport Board**

- 5.80** The Transport Board's principal activity is the provision of transportation to the general public. The Board has indicated that audits of accounts for the 2016 to 2019 financial years have been undertaken. The audit of the accounts for the 2012 to 2015 financial years are said to be in progress. This is an unusual situation as financial statements and audits are prepared in a sequential manner with earlier years being audited first.

### **Urban Development Commission**

- 5.81** The principal activities of the Urban Development Commission (UDC) are to undertake slum clearance and improve social amenities in urban areas. The UDC also provides loans for assistance in house acquisition, repairs and improvements. The Commission reported that the audit of the accounts for the financial years ended 31<sup>st</sup> March 2008 to 2019 had not been conducted.

## ***Audits of Secondary Schools***

- 5.82** 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 31<sup>st</sup> March. The status of the accounts of these schools at 31<sup>st</sup> March 2019 was as follows:



### Up-to-Date Audits

**5.83** The audits of the accounts of the schools listed below have been completed for the financial year ended 31<sup>st</sup> March 2019. The accounts of these schools are therefore up-to-date as required by the Education Act.

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

### Audits not Up-to-Date

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

- **Alexandra School**

**5.85** The School has reported that it is awaiting the audited reports on its accounts for the financial years ended 31<sup>st</sup> March 2013 to 2015. The School reported that the audits for the periods ending 31<sup>st</sup> March 2016 to 2019 had not yet commenced.

- **Alleyne School**

**5.86** The School reported that the audits of its accounts for the financial years ended 31<sup>st</sup> March 2016 to 2019 had not commenced and are therefore outstanding.



- **Alma Parris Secondary School**

**5.87** The Alma Parris School was closed in August 2017. The audits of accounts for the period 1st April 2016 to the closure of the School are however outstanding.

- **Christ Church Foundation School**

**5.88** The Christ Church Foundation School reported that the audits of the accounts for the financial years ended 31<sup>st</sup> March 2013 to 2019 were outstanding.

- **Coleridge and Parry School**

**5.89** The School has reported that the audit of the accounts for the financial year ended 31<sup>st</sup> March 2012 is completed. The audit of the accounts for the financial year ended 31<sup>st</sup> March 2013 is said to be in progress. The audit of the accounts for the financial years 2013 to 2019 are also outstanding.

- **Combermere School**

**5.90** The audits of the accounts of the Combermere School for the financial years ended 31<sup>st</sup> March 2011 to 2019 are outstanding.

- **Ellerslie Secondary School**

**5.91** The school has reported that the audits of its accounts for the financial years ended 31<sup>st</sup> March 2017 to 2019 were outstanding.



- **Frederick Smith Secondary School**

**5.92** The Frederick Smith Secondary School has revealed that the audits of the accounts for the financial years ended 31<sup>st</sup> March 2013 to 2019 are outstanding.

- **Grantley Adams Memorial School**

**5.93** The audits of the accounts of the Grantley Adams Memorial Secondary School for the financial years ended 31<sup>st</sup> March 2013 to 2019 are outstanding.

- **Graydon Sealy Secondary School**

**5.94** The Graydon Sealy Secondary School reported that the audit of the accounts for the financial year ended 31<sup>st</sup> March 2016 was in progress. However, the auditors have experienced some challenges that have retarded the progress. The audits for the financial years ended 31<sup>st</sup> March 2017 to 2019 are also outstanding.

- **Harrison College**

**5.95** Harrison College has indicated that the audits of the accounts for the financial year ended 31<sup>st</sup> March 2018 to 2019 are outstanding. The audit for 2018 was said to be in progress.



- **Lester Vaughan School**

**5.96** The Lester Vaughan School reported that the accounts for the financial years ended 31<sup>st</sup> March 2013 to 2015 were being audited. The audits of the accounts for the period ended 31<sup>st</sup> March 2016 to 2019 had not yet commenced.

- **The Lodge School**

**5.97** The Lodge School has once again reported that the accounts for the financial years ended 31<sup>st</sup> March 2017 to 2018 are being prepared for the auditors. These along with the audit for 2019 remain outstanding.

- **Parkinson Memorial School**

**5.98** The audits of the accounts of the Parkinson Memorial School for the financial years ended 31<sup>st</sup> March 2013 to 2019 are outstanding. The School indicated that the private auditor was experiencing problems with the audit, and the Ministry of Education has been informed on the matter.

- **Princess Margaret Secondary School**

**5.99** The audits of the accounts of the Princess Margaret Secondary School for the years ended 31<sup>st</sup> March 2013 to 2019 are currently outstanding.

- **Queen's College**

**5.100** The audits of the accounts of Queen's College for the financial years ended



31<sup>st</sup> March 2013 to 2019 are outstanding. The School has indicated that the auditors have stated that the reports from the accounting system did not produce the necessary information to conduct the audits.

- **Springer Memorial Secondary School**

**5.101** The audit of the accounts of the Springer Memorial Secondary School for the financial years ended 31<sup>st</sup> March 2013 to 2019 is outstanding.

- **St. George Secondary School**

**5.102** The audits of the accounts of the St. George Secondary School for the financial years ended 31<sup>st</sup> March 2013 to 2019 are outstanding.

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

**5.103** The audits of the accounts of the St. Leonard's Boys' Secondary School for the financial years ended 31<sup>st</sup> March 2013 to 2019 are outstanding.

- **St. Michael School**

**5.104** The St. Michael School reported that the audits of its accounts for the financial years ended 31<sup>st</sup> March 2013 to 2019 are outstanding.

### **General Observations**

**5.105** The level of arrears in the audits of state entities continues to be a cause of concern. The Ministry of Finance had indicated that it wanted the accounts



of statutory entities brought up to date by mid-2019 which was always going to be a challenge.

**5.106** The Public Finance Management & Audit Act calls for improvement in the financial and operational reporting of state enterprises. This will be a great challenge for some of these agencies. Improvement in financial reporting is predicated on a full assessment of the underlying issues creating the problems, and necessary action being taken to rectify the identified deficiencies. In this regard, the recruitment and training of staff, and the improvement in the accounting and information systems of these enterprises are critical.

**5.107** The agencies reported on in this chapter have responsibilities for providing services to the public and are responsible for the spending of hundreds of millions of public funds annually. The auditing of their accounts on an annual basis is an important aspect of good governance and accountability. This process is required by law. Action therefore needs to be taken in relation to those charged with the management of Government funds, to ensure that the audits of accounts are completed as required by law.