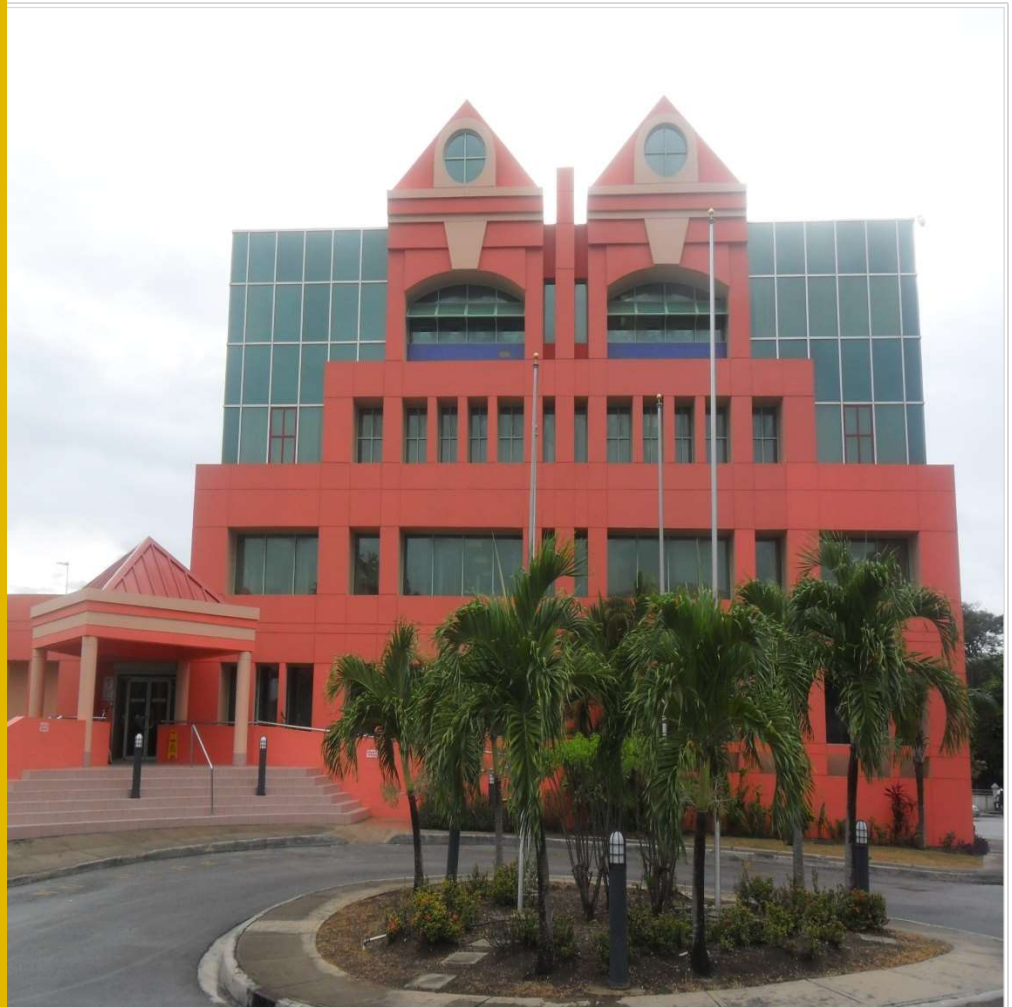




Barbados *A*udit *O*ffice

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

2020



Strengthening public accountability by providing fair and independent reports

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



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of the
Auditor General
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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 14, 2021

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 77 (5) of the Public Finance Management Act, 2019 - 1, 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, 2020.

A copy of the Report is transmitted to the Senate for information, in accordance with Section 77 (6) of the above mentioned Act.

Yours faithfully,

Leigh. Trotman, CPA
Auditor General

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Introductory Comments

The year 2020 was a challenging one for the Barbados Audit Office. The COVID pandemic would have resulted in some lost productivity since the Office was not fully prepared for working remotely. Hence the stay-at-home order would have negatively impacted officers' ability and capacity to function for part of the year. In addition, it also impacted our ability to review files, documents and other information from various entities.

2. I might add that by the close of the year the Office was in a better position to function during the crisis, and the infrastructure and software was available to allow most staff to function in a reasonable capacity remotely. This whole exercise has been a learning process that ultimately will result in the Office having the capacity and experience to function remotely in a more efficient manner. This along with the flexible work arrangement policy which was put in place by the Ministry of the Public Service should provide a better work life balance for staff.

3. The Office was unable to complete its schedule of activities during the year for a variety of reasons other than the COVID situation. These included the late submission of accounts by the Treasury and other key organizations. I would also like to see greater productivity by all workers. In this regard the use of tools such as data analytics will increasingly be used by the Office to assist with the audit process.

4. During 2019 there was the enactment of the Public Finance Management Act, 2019-1 which should have a significant impact on the way Government organizations are run and on their reporting requirements. Agencies are required to submit Annual Reports showing their financial as well as non-financial performance during the year. These reports are to be audited by my Office for service delivery. This will be a challenging assignment and its success will depend on the planning and organizing of these agencies along with the competence and capacity of the staff of my Office. In the past I have expressed concern over the significant number



of vacancies which continue to exist in the Office, and how it negatively impacted on the Office fulfilling its mandate. This continues to be the case but has been mitigated somewhat by the manner in which the Office conducts its work, for example the reduction in the amount of sampling of transactions with instead a greater focus on those areas which are considered as more risk prone.

5. The Office is never-the-less challenged due to the absence of critical quality staff at the senior level. This deficit must be filled in order for the Office to adequately fulfil its mandate and prepare for succession of its leadership. The issue of having greater control of its resources also remains unaddressed. I have argued that this matter is an important one that enhances the independence of the Office and does not require any greater allocation of resources by the State. The current system where the Office's human resources requirement is dependent on a centralized agency has not worked in its best interest. I am not aware that my requests are being addressed and this is unfortunate as it negatively impacts on the effectiveness of the Office in the recruitment and selection of staff and in the use of resources approved by Parliament.

Acknowledgements

6. I want to thank the members of my staff for their contributions towards the work of the office during the year as well as those officers of the audited entities who would have provided relevant documentation and explanations. I look forward to continued cooperation and support during 2021.

Leigh E. Trotman, CPA
Auditor General

14 May, 2021



CHAPTER 1

GENERAL ISSUES

Introduction

This Annual Report of the Auditor General to the Parliament of Barbados is being presented in accordance with Section 77 (1) of the Public Finance Management Act, 2019-1 which states that:

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

- 1.2** The Auditor General is also required to prepare and deliver an audit opinion on the Financial Statements of the Government, which are prepared by the Accountant General in accordance with Section 88 (1) of the aforementioned Act. These statements produced by the Accountant General represent the activities of Ministries and Departments. The financial activities of other State Agencies such as Statutory Boards are not included as these are reported on separately.
- 1.3** The Audit Office has a broad mandate for conducting audits on Government agencies. This mandate is derived from the Constitution of Barbados, and the Public Finance Management Act, 2019-1. Section 113 (2) of the Constitution requires the Audit Office to audit the accounts



of the Supreme Court, the Senate, the House of Assembly and all Departments and Offices of the Government annually.

1.4 In addition to financial audits 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, with respect to financial transactions. Another type (Financial Audit) involves verifying the accuracy of the information 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 performance issues facing an organization or any part of its operations.

Training Activities

1.6 During the year, officers in the Office of the Auditor General were involved in a number of training activities which were designed to improve their skill and enhance the capacity of the Office. These courses included the following:-

(a) Certificate in International Public Sector Accounting Standards

- i. The Government of Barbados, in changing its basis of accounting from cash to accrual, adopted the International Public Sector Accounting Standards (IPSAS). In this regard, all officers in the Office were required to complete a certificate course on these standards and I can report that all staff have successfully completed this course. A major benefit of this



course is that it provides knowledge and guidance to officers so that they can confirm whether the standards are applied correctly by state agencies in the preparation of the accounts.

(b) Report Writing Course

- i. The writing of reports had been identified as a major weakness in the Office and in this regard a report writing workshop was held for all staff. This workshop, which was held from the 11th to 14th February 2020, was conducted by trainers from the Institute of International Auditors (IIA) and it is expected it would have addressed some of the report writing deficiencies identified.

(c) Human Resource Issues

- i. As part of the ongoing training activities in the Office, the Ministry of the Public Service was invited to deliver presentations on key human resource issues and processes in the Public Service. Officers were better informed about matters pertaining to leave, discipline and other terms and conditions of Public Service, and should find some of this information useful in ensuring that the activities of Ministries and Departments are completed in accordance with the Policy set by the Ministry of the Public Service.

(d) Other Training Activities

- i. In addition to these training courses which were directed at the entire staff, individual officers would have also attended specific in-house courses offered by the Learning and



Development Directorate of the Ministry of the Public Service and workshops and conferences held by the Institute of Chartered Accounts of Barbados.

Relationship with the Public Accounts Committee

- 1.7** In accordance with the Public Finance Management Act, 2019-1, the Estimates of Expenditure for the Office of the Auditor General are to be submitted to Parliament after examination by the Public Accounts Committee (the Committee). The Public Accounts Committee Act, CAP.10A requires the Committee to consider the resources of the Office including funding. In this regard, the Committee met and approved a budget for financial year 2019-2020 of \$3,654,422. The actual amount spent was \$ 3,050,942. This shortfall in expenditure was due to a number of posts in the Office not being filled. In addition, to a review of the Estimates of the Office, the Committee also examined the Operational Plan of the Office for the financial year.

Public Accounts Committee Meetings

- 1.8** The Committee is also tasked with examining the reports of the Auditor General including the results of Performance audits conducted. During the year the main focus was a Special Audit that was conducted on the operations of the Barbados Transport Board. This audit focused on certain operational deficiencies of this Institution and various members of staff and the Chairman were interviewed by the Committee with the proceedings being broadcast live on television and the internet.
- 1.9** This has been a positive development and it is hoped that such hearings will continue with greater expediency. There were several other issues and reports that were to be reviewed by the Committee, however at the current rate of progress these matters are unlikely to be addressed in



the near future. There are also some challenges in forming a quorum which has also impacted on the rate of progress.

- 1.10** The Office of the Auditor General stands committed to better serving the Public Accounts Committee, and by extension the people of Barbados, in bringing to the forefront any issues pertaining to waste, abuse, and breaches of laws and regulations to ensure that there is greater transparency and accountability in the affairs of Government. This can only be achieved with the full participation of all stakeholders, inclusive of the PAC.

Independent Audit of the Accounts of the Barbados Audit Office

- 1.11** Under Section 7 (1) f (iii) of the Public Accounts Committee Act Cap.10A, the accounts of the Barbados Audit Office are to be considered by the Committee after being audited by an independent auditor. The accounts for the financial year ending 31st March 2020 were audited and an unqualified audit opinion was issued. These accounts are recorded at **Appendix 1**.

Activity Report of the Barbados Audit Office

- 1.12** During the year under review, the Office completed a number of audits and reviews and these were submitted to the various agencies for their review and comments. It is my policy that, prior to the publication of any report, the relevant agency be given an opportunity to respond to its contents. This is a balanced approach which also gives the opportunity for correction of any errors or misunderstandings and affords the entity the opportunity to express its views where provided, which will then form a part of the Report.



- 1.13** Overall, the Office was not able to achieve a number of its plans as a result of the non-submission of statements by agencies, the COVID-19 situation, and some operational inefficiencies in the Office. In terms of the audit of the accounts of the Government, these financial statements are being submitted many months after the due date, therefore resulting in the audit of these accounts being in arrears. This matter was drawn to the attention of Parliament in my previous Report and promises for improvement by the Treasury have not materialized. The audit of the National Insurance Funds is also substantially in arrears, and during the year, although some work was conducted, not much progress was made. In fact, the audit of these accounts is slipping further in arrears. The reasons for this are outlined in Chapter 5 of the Report.
- 1.14** The COVID-19 situation would have resulted in considerable time away from the Office, which resulted in some restrictions on the Auditors' access to information. As a result, this would have negatively impacted on the progress of some audits.
- 1.15** There were also some internal organizational inefficiencies leading to delays in the completion of some reports. This was evidenced by excess hours spent on some assignments and the number of times some draft reports had to be reviewed. In this regard, a training course in report writing was undertaken, and officers were encouraged to be timelier in the submission of assignments.

Certification of Pensions

- 1.16** Under Section 76 of the Public Finance Management Act, the Audit Office has responsibility for the certification of pensions and gratuities prior to payments being made. During the course of the year, nine hundred and twenty-five (925) files were processed by the Office. A number of these files contained errors which could have resulted in



excess payments being made to public officers. These errors were however corrected before any payment was made.

Structure of the Report

- 1.17** The report is divided into five chapters. The first chapter is in relation to various activities carried out by the Office during 2020. The second chapter highlights matters pertaining to the audit of the accounts of the Government of Barbados. This audit is in respect of the financial year ending 31st March 2019. It should be noted the Government's financial statements for the period ended 31st March 2020 were not submitted for audit during 2020. The third chapter consists of compliance audits of various Ministries and Departments and the activities of the Barbados Revenue Authority. The fourth chapter consists of two special audits, one in respect of the Poverty Eradication Fund and the other on the operations of the Barbados Liaison Services operations in Canada and the USA. The fifth chapter is a progress report on the audits of various statutory boards and other Governmental agencies.



CHAPTER 2

ANALYSIS OF GOVERNMENT FINANCIAL STATEMENTS

The Financial Statements of Government are prepared by the Office of the Accountant General (the Treasury Department) in accordance with Section 22 (2) of the Financial Management and Audit Act (FMAA), 2007-11. This Act requires the Accountant General to submit Financial Statements to the Auditor General by the end of July following the close of each financial year. In this regard, the statements for the financial year ending 31st March 2019 should have been submitted by 31st July 2019 but were instead submitted in July 2020. Statements for the financial year ending 31st March 2020 should have already been submitted in July 2020 but as at April 2021 they were outstanding.

Audit Mandate and Objective

- 2.2** In accordance with the provisions of Part IV, Section 36, of the Financial Management and Audit Act (FMAA), 2007-11, an audit was conducted by the Barbados Audit Office on the accounts of the Government of Barbados for the financial year ended 31st March 2019.
- 2.3** The objective of the audit was to express an opinion as to whether the financial statements presented by the Accountant General gave a true and fair view, in all material aspects, of the financial position of the Government of Barbados, whether appropriate internal control systems exist and were adhered to, and the financial statements were in



accordance with International Public Sector Accounting Standards (IPSAS).

Methodology

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

Auditor Responsibility

- 2.5** The Audit Office has responsibility for the audit of Government's financial statements and this includes forming an opinion on the state of the accounts based on the audit work conducted. The auditor also examines the extent to which the Financial Rules and other regulations and directives are adhered to.
- 2.6** Audit procedures are performed to detect material misstatements in the financial statements. Materiality means a significant financial statement omission or misstatement, which could be expected to influence or change the decisions of users relying on the financial statements for decision making.
- 2.7** An audit is not designed to ensure that the financial statements are 100% accurate since it is not possible to verify all transactions. The audit is



designed to gain reasonable but not absolute assurance that the financial statements are free from material misstatements. The auditor accumulates errors discovered and makes an assessment of whether they would in aggregate cause the financial balances to be materially misstated.

Responsibilities of the Accountant General

- 2.8** The Accountant General is responsible for providing Parliament with financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS). These include related notes and schedules. To prepare financial statements in accordance with IPSAS, the Accountant General is required to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. The reasonableness of these adjustments are assessed.

Responsibilities of Accounting Officers

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



Late Submission of Financial Statements

- 2.10** The Financial Management and Audit Act, 2007-11 requires the Accountant General to prepare, sign and submit to the Auditor General, a set of financial statements to be audited within four (4) months after the close of each financial year. As such the statements for the last financial year, ending 31st March 2019, should have been submitted by 31st July 2019. The Financial Statements were however issued on 22nd July 2020, a year after the regulatory deadline and approximately fifteen (15) months after the close of the relevant financial year. This situation is unacceptable and needs to be urgently addressed. Financial statements for the year ended 31st March 2020 have not been submitted for audit.
- 2.11** In recent years these statements have not been submitted in a timely manner. In accordance to IPSAS 1 paragraph 69, an entity should issue financial statements within six (6) months of the reporting date. This late submission is regrettable since for financial information to be relevant to decision makers and other stakeholders it has to be timely. There is an acute need for up-to-date financial information to be available to Government and other stakeholders including the wider public, given the challenging financial situation the country currently faces. The Treasury has to therefore make a greater effort to ensure that its reporting deadlines are met if its reports are to be relevant and impactful on decision making.
- 2.12** It should also be noted that under the Public Finance Management Act, 2019-1, there is a requirement for the prompt submission of accounts to the Government and to the Public Accounts Committee (PAC) to allow for them to be reviewed and subsequently debated by Parliament within



seven (7) months after the close of the Financial Year. Unless there is substantial improvement by the Treasury, this requirement would not be achievable.

Absence of Consolidated Financial Statement of the Government

2.13 The Government of Barbados embarked on substantial reforms of its accounting process in 2007. As part of this process, a set of consolidated accounts of Ministries, Department and State Owned Enterprises should have been provided. This would in effect have allowed Government and stakeholders to obtain a more comprehensive view of the state of Government finances, especially since State Owned Enterprises have incurred large liabilities over the years and these are the ultimate responsibility of the Government. It is therefore pertinent that these financial statements be prepared in a consolidated format.

2.14 As at the end of the financial year 2018-2019, Government has yet to publish any consolidated statements. The absence of consolidated statements presents challenges, as the total debts and liabilities of the Government are not being accounted for in the financial statements. In order for this to be achieved, the necessary preparatory work has to be done and the relevant level of expertise needs to be available at the Treasury to assist with the process.

Inadequate Disclosures in Notes to the Financial Statements

2.15 There was a total of \$209.4 million representing Other Equity Investments shown in the notes to the financial statements. This note should be more explanatory to allow readers and users of the financial



statements to be more aware of the type of investments undertaken and any risks associated with their acquisition by Government.

- 2.16** An amount of \$214.3 million was reported as the value of the Government of Barbados' shares in the regional airline LIAT. Disclosures should have been made regarding the risks associated with this investment.
- 2.17** There were a number of items used in the financial statements which, given their unusual nature, should have been explained in the notes to the statements. These terms included Annex Revenue, Annex Expenditure, Paymaster, Special Receipts and Other Funds.
- 2.18** There was Non-tax revenue of \$556,624,167 reported on the Statement of Financial Performance. However, this revenue category, although significant, was not referenced in the notes. Information should have been provided to allow readers and users of the statements to understand what this item represents.

Nature and Extent of Risks Arising from Financial Instruments

- 2.19** The Department failed to comply with the requirements of IPSAS 30 paragraphs 38 to 43, 46 and 47. In this regard, it did not disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Government was exposed at the end of the reporting period. Disclosures such as organizational policies and objectives; probable origins of risk; risk exposure levels; risk measurement methodology and risk management procedures were omitted. Government's exposure to credit, liquidity and market risk was also not adequately disclosed. Qualitative and quantitative disclosures were therefore inadequate.



- 2.20** In this regard the Treasury should ensure that there are adequate notes to the financial statements with the appropriate disclosures so as to assist users in better understanding the information presented.



ISSUES AND OBSERVATIONS RE: GOVERNMENT DEBT RESTRUCTURING PROGRAM

Restructuring of Government Debt

2.21 During the 2018-2019 financial year Government undertook a restructuring of its domestic debt; some amounts were written off, while others were replaced with new debt instruments. There was also the write off of debt due to the Crown by the State Owned Enterprises. The following observations were made in respect of the debt restructuring exercise.

- (a) There was a write down of various instruments issued by Government and held by the National Insurance Department. The write down of these instruments which resulted in gains to Government totaling \$1.268 billion should have been reflected in the Statement of Financial Performance. These gains were instead brought to account by a direct credit to the Equity section of the Consolidated Fund which was incorrect.
- (b) There was also a write down of the value of certain instruments held by the Central Bank. According to the instructions given by the Director of Finance, \$1.182 billion in Treasury Bills and Notes and Debentures should have been written off. Based on the information provided, it was difficult to assess what was written off since the amounts were not clearly identifiable in the accounts. The resultant gains were also not brought to account in the Statement of Financial Performance as required. These were instead adjusted to the Equity section of the Consolidated Fund.



- (c) During the year, Government issued financial instruments to assist in matters pertaining to the insurance company, CLICO. These instruments of \$385 million were in respect of Government's assistance to policy holders in recouping some of their investment due to the insufficiency of capital held by the former Insurance Company. These amounts which relate to Government's operational activity, should have been brought to account as expenses/losses on the Statement of Financial Performance instead of being presented as an adjustment to the Consolidated Fund balance.
- (d) The Treasury reported outstanding Treasury Bills of \$4.188 billion prior to their write off or transfer to other instruments. It was decided by the Government that \$1.188 billion of these bills would be written off and there should be new instruments issued for \$2.542 billion. Additionally, \$17.504 million in Notes and Debentures was to be transferred to Reserve Treasury Bills. The balances in the ledger should have been reconciled with the of records of the Ministry of Finance and the Central Bank, prior to the debt restructuring exercise adjustments, in order to avoid any errors in the accounts.
- (e) The Treasury has indicated that there were some errors in the account specifically related to the balance held by the Central Bank at the debt restructuring date of 1st October 2018. This matter should be reviewed and the necessary adjustments made to correct any outstanding errors in the accounts.
- (f) Based on correspondence issued from the Director of Finance, the Coast Guard was restructured by the Treasury for bonds



valued at \$16.27 million. However, the amount outstanding in the records of the Treasury was \$15.97 million (a principal of \$15.69 million and accrued interest of \$0.28 million). This resulted in an error of \$0.30 million in the account as at 31st March 2019. This transaction should be reviewed and the necessary adjustment made to the account.

2.22 The Ministry of Finance has issued directives which indicated that the local loan balances, Treasury Bills would be transferred to new financial instruments. The Treasury Department has recorded these new financial instruments within the Treasury Notes and Debentures account. However, it was imperative that a detailed movement schedule be provided to the auditors to allow verification of the Notes and Debentures balance at the 31st March 2019. The lack of this schedule makes it difficult to provide any assurance on the accuracy of the transfers and the account balance.

2.23 The significant restructuring undertaken by Government required that significant disclosures should be included in the financial statements as these omissions could influence the ability of users to make effective decisions. In addition, IPSAS 29 paragraph 67 to 71 requires that an evaluation of impairment of financial assets should be conducted at the end of each reporting period. There was no evidence of such an assessment.

Assumption of Debt and Other Liabilities of State Owned Enterprises

2.24 As part of the debt restructuring process, Government took over ownership of several debts and other liabilities which were previously



held by State Owned Enterprises and owed to various financial institutions. This included debt and liabilities not previously recorded in the accounts of Government. These amounts were not brought to account in a consistent manner as follows:-

- i. In some instances, these amounts were treated as capital injections by the Government, and the financial institutions owed by the State Owned Enterprises (SOEs) were issued with Notes and Debentures. This action was reasonable since the transfer of responsibility for debt to the Government was equal to a capital injection in these entities.
- ii. There were some institutions which owed local suppliers, and these payables were taken over by the Government. The creditors were issued with financial instruments by Government and there was a corresponding adjustment to the Consolidated Fund. Such trading balances however, should have been expensed in Government's Statement of Financial Performance. These could not be considered as capital injections.

2.25 The debt restructuring exercises brought to the forefront Government's short-comings in bringing certain liabilities to account. For example, the University of the West Indies (UWI) was owed \$102 million in respect mainly of amounts due as reimbursement for educating Barbadian students. Under the accrual concept of accounting adopted by the Government, this expenditure should have been brought to account in the respective years in which the service would have occurred. However this expense was never recorded previously, resulting in a short statement of \$102 million in expenses over a number of years. The



outstanding payables over this period would also have been short stated by a similar amount.

- 2.26** The treatment of the investment in Clearwater Company needs to be further explained. The investment in this Government owned company was recorded at a value of \$124 million investment in prior years. It represented an investment by Clearwater in the Four Seasons Hotel project. The value of this investment remained unchanged on the books of Government for several years even though the property on which the investment was based was significantly impaired. In the 2018-2019 financial year, the entire investment was written off. It has not been clearly established what was the basis for the entire write off of the investment. It was also not clear what was the nature of the investment relationship Clearwater had with the hotel owners. The investment and subsequent write off could not therefore be verified by the auditors.
- 2.27** In the case of BAICO, the Government issued \$101.7 million in bond support and created a new investment account. It was however unclear what actual asset was represented by this investment account. It was not stated whether any assets from this former Company were acquired by Government and represented this investment. The absence of this supporting information casts doubt on the accuracy of information recorded for the investment transaction.
- 2.28** There was the issue of a Series A Amortization Bond totaling \$74.807 million as part of the Domestic Debt Restructuring exercise. There was a lack of written instruction which made it difficult to verify the authorization of this issue.



- 2.29** There are disclosure requirements as noted at IPSAS 19 which indicate that provisions in relation to restructuring should be accounted for. The disclosure of these provisions would enhance the credibility and understandability of the financial statements.
- 2.30** It was not clearly stated in the accounts what were the overall gains and losses from the debt restructuring process. This information should have been provided to users of these financial statements.



ACCOUNTING FOR ASSETS

- 2.31** The following issues and observations were made in respect of the accounting for Government assets:-

Tax Receivables

- 2.32** There was an overall reduction in Tax Receivables of \$46.486 million. Based on the figures in the accounts, this was partially the result of a reduction in Land Tax Receivables of \$62.603 million which was offset by an increase in some individual receivables of \$8.083 million. The request for the evidence to support these changes, was not facilitated. Therefore, it was not possible to verify this account as accurate.

Overdrawn Salary

- 2.33** An amount of \$ 48,941.00 related to overdrawn salaries was written-off to the Equity Account. This represents amounts due from public officers and it is unclear why these amounts were written off. No approval for these write-offs was provided for audit inspection.

Net Fixed Assets

- 2.34** There was no reconciliation provided between the opening and closing balances of Property Plant and Equipment (PPE) in the accounts. A schedule should have been provided showing any purchases, disposals and revaluations in this account. It should also be noted that there are a number of significant charges made to this account which are not capital in nature. This has therefore resulted in some overstatement to the value



of this item in the accounts. This matter needs to be researched and appropriate adjustments made to the account to correct any errors.

Intangible Assets

- 2.35** Note 13 of the financial statements indicates that “software” is classified as a tangible asset. However, this asset is an intangible asset and should be classified as such and separately shown on the Financial Statements, as per IPSAS 31. The value of software as indicated within the financial statements as at 31st March 2019 was \$15.35 million.

Heritage Assets

- 2.36** Note 13 of the financial statements indicates that Heritage Assets and Road Infrastructure have not been included within the Fixed Assets balances. This indicates that the Fixed Assets could be significantly understated.

Share Register

- 2.37** No share register was provided for audit inspection to support the balance as at 31st March 2019 of \$453.130 million which was listed as the Equity in enterprise held by Government. There should have been a share register which provides information such as the type of shares procured, the investee, share certificate numbers and dates of procurement. Lack of information increases the risk of misstatements going undetected.
- 2.38** Documentation to support the amount of \$133.337 million being classified as equity in Whitepark Development Limited was not provided for audit inspection. This Company which was established to own the



Judicial Centre under a Public Private Partnership Project, was subsequently acquired by the Government. However, a memorandum from the Permanent Secretary of the Ministry of Finance & Economic Affairs Ref: 5578/00 Vol.3 indicates that Government had purchased the property. This would support its classification as Property, Plant and Equipment rather than as an investment in a Company. Given this conflicting information, there is some uncertainty as to the correct recording of the acquisition. This matter needs to be rectified and the asset appropriately classified since accounting for a building is different to accounting for an investment in a company.

Bank Statements

- 2.39** The totals on the bank statements did not reconcile with corresponding amounts in the records of the Treasury. There were unreconciled differences reported in the amount of \$20.65 million and \$64.79 million with various Treasury account. There were items in some reconciliations that dated back to 2007; these need to be researched and adjusted to ensure the accounts are correctly stated.
- 2.40** Bank Reconciliations for Treasury accounts at the Central Bank of Barbados and one local bank were not completed up to the 31st March 2019. This latter account was last reconciled in the month of January 2019 while the Central Bank account was last reconciled in May 2018. Bank statements should be reconciled monthly as this is an important internal control that can detect fraud or errors in the account.
- 2.41** There were credit balances in the General Ledger for two bank accounts, one balance was \$14.778 million and the other \$45.448 million as at 31st March 2019. These credit balances for bank totals would suggest that



there are errors in these accounts in the General Ledger which need to be corrected.

- 2.42** The absence of current and accurate bank reconciliations restricts the Treasury Department's ability to prevent and detect fraud. Additionally, its ability to swiftly identify accounting and banking errors would also be impeded. The lack of adequate and timely monitoring of these reconciliations has increased the risk of the bank balances in the financial statements being misstated.

Special Projects Deposits

- 2.43** Special project deposit accounts are bank accounts held at the Central Bank. They are utilized to deposit funds received from grants and loans from financial institutions on behalf of Government. One Special Project Account balance in the general ledger differed from the confirmed balance by \$51 million. Reconciliation statements for these accounts were not presented to allow for audit verification of the differences. The absence of the reconciliation statement impacts the reliance which can be placed on these balances in the Financial Statements.

Cash on Hand

- 2.44** A number of outstanding issues need to be addressed in respect of cash on hand. These include the following:
- (a) The amount recorded as Cash on Hand for the Licensing Authority was reported as \$474,550.47 as at 31st March, 2019. This figure has remained unchanged in the General Ledger since the 31st March 2012.



- (b) Cash account balances usually carry debit balances in the ledger; however, there were a number of credits seen in the account balance which implies that the balances may have been misstated. The most significant balance pertained to Coleridge & Parry School in the amount of \$(56,857.54).

Dishonoured Cheques

- 2.45** The Financial Management and Audit (Financial) Rules 2011, Section 171 requires that an accounting officer examine the Dishonoured Cheque Register of the department not less than once a month and ensure that clearances of dishonoured cheques are pursued and recoveries are effective. The lack of adequate monitoring of the enforcement of regulations has led to the increased risk that this Receivables Account is misstated. Some dishonoured cheques totaling \$6.712 million were not seen in the Dishonoured Cheques Register.
- 2.46** The omission of pertinent information from the Dishonoured Cheque Register impedes the Department's ability to determine whether the dishonoured cheques are actually outstanding.

Public Officers Loans and Travel Allowances (POLTA) and Overdrawn Salaries

- 2.47** The Treasury Department did not present schedules for POLTA and Overdrawn Salaries for audit inspection to support the general ledger balance of \$16.279 million as at 31st March, 2019. As a result of not receiving this report, the general ledger balance could not be determined as accurate.



General Comment

- 2.48 Based on the foregoing it was not possible for the auditors to verify the correctness of the accounts for a significant portion of the assets.

OTHER ISSUES AND OBSERVATIONS

- 2.49 Other issues and observations arising from this audit were as follows:-

Accounting for Equity in LIAT

- 2.50 The investment in the airline LIAT was recorded in the Financial Statements as at 31st March 2019 as \$214.342 million. This figure was based on capital injections into this entity; however, since this agency has faced financial difficulties and other challenges, the amounts listed should have been representative of the fair value rather than the sums injected. As a result, issues related to LIAT were not adequately disclosed in the notes of the Financial Statements.

Transfer of Funds Memoranda from Accountant General to Central Bank

- 2.51 The Accountant General, by signed Memoranda, authorises the Central Bank to transfer the loan funds to lending agencies. There were twenty-nine (29) transactions reviewed, twenty-one (21) were supported by Memoranda and eight (8) totaling \$13.137 million were not. This shows a breach of controls and increases the risk of unauthorized payments occurring.



Foreign Debt – Lack of Confirmation and Statements from Foreign Institutions

- 2.52** Note 18 in the Financial Statements indicates that there were on-going negotiations with Government's external commercial creditors. Verification of the interest expense accounts balance of \$713.529 million and commitment fee balance of \$5.530 million as at 31st March, 2019 is necessary. However, the lack of documentation from these Institutions made it difficult to determine whether the amounts reported were accurate and complete as at 31st March, 2019.

Unpresented Documentation

- 2.53** The auditors made requests for documentation pertinent to the audit of the accounts but a substantial amount of this information was not provided. This is a recurring issue and a greater effort must be made by the Treasury to provide information requested. The absence of this information delays the audit and prevents the auditor from verifying amounts listed in the financial statements.

Revenue

- 2.54** The Account Balances recorded for Revenue in the SmartStream General Ledger did not agree with the balances reported by the Barbados Revenue Authority. The total Revenue recorded in the SmartStream General Ledger is \$1.852 billion, whereas the amount submitted by BRA to the Treasury Department reflects a total \$1.999 billion, a difference of \$147 million. This difference is significant and needs to be explained.



Provision for Doubtful Debts

- 2.55** There is a provision for bad debt of 2.0% made for uncollected revenue. The auditor has not been provided with any information on how this percentage was derived and could not therefore assess the reasonableness of this provision. The lack of an adequate estimation increases the risk that receivables could be misstated.

Overdraft Facility

- 2.56** The Overdraft facility at the Central Bank exceeded its limit of 10% of estimated revenue (\$323.303 million twice between the 1st April 2018 and 31st July 2018). In these two instances, the balance was exceeded by \$10 million. This was contrary to the legislation which stipulates that the overdraft facility should not exceed 10% of net revenue.

Accounts Payables

- 2.57** The Treasury Department did not present a subsidiary ledger for audit inspection in respect of Accounts Payable. The general ledger balance totaled \$6.827 million as at 31st March 2019. The subsidiary ledger would indicate the individual transactions outstanding per Ministry or Department and allow for verification and determination of whether these amounts are accurately classified as amounts due for payment.

Omission of Pension & Employee Benefits

- 2.58** International Public Sector Accounting Standards (IPSAS) 39, Employee Benefit, stipulates that unclaimed employee benefits should be accounted for (accrued). This includes both short term benefits and long term benefits such as pension obligations. These types of liabilities were



however not brought to account in the general ledger as at 31st March 2019. This resulted in an understatement of the total liabilities. The Treasury Department has not implemented a policy to account for these benefits.

Savings Bonds

- 2.59** Bank confirmations were not received neither were bank statements presented to allow for the substantiation of the savings bonds balance of \$143.025 million. Therefore, this balance could not be verified as accurate. In addition, a movement schedule was not provided to ensure that the issuance of new financial instruments, redemptions, and gains and losses were accurately recorded.

Local Loans

- 2.60** There is a Local Loan account which carried a debit balance of \$39.778 million as at 31st March, 2019. This is a liability account which should carry a credit balance. Therefore, this account needs to be investigated and the necessary adjustments made.

Conclusion

- 2.61** The presentation of the information in the financial statements of the Government did not always have the necessary supporting schedules or information and this meant it was not possible to verify certain amounts in the financial statements. In addition there were a number of errors identified that required adjustments. The Government has indicated that it had adopted the International Public Sector Accounting Standards; however, a number of these standards were not adhered to. Overall



there needs to be the timely completion of the annual financial statements and the correction of certain deficiencies highlighted.



CHAPTER 3

GENERAL AUDIT CONCERNS AND OBSERVATIONS

This chapter highlights general concerns in respect of accounting and compliance issues pertaining to Ministries and Departments. Section 77(1) of the Public Finance Management Act 2019-1 requires the Auditor General to report on any failure to observe the enactments or other Laws of Barbados.

General Audit Issues and Concerns

Asset Management

- 3.2** The Financial Rules and best practice require Government Ministries and Departments to keep adequate account of their fixed assets. This information should be kept in an Asset Register and should include the description, location, cost, depreciation expense and the net book value. This information should then be used to keep track of the assets and provide information for the fixed asset information on the Statement of Financial Position. This information is also used by the auditor for physical verification of the asset and to attest to the information on the financial statements. It was however observed that a number of Ministries and Departments were not keeping up-to-date records. In a number of instances, there were no asset register in place and these deficiencies are a cause for some concern.



Audit Concerns Relating to Specific Ministries and Departments

Ministry of People Empowerment and Elder Affairs

- 3.3** Items of equipment are stored in a number of containers at the Ministry's headquarters and off site. However, the Ministry was unable to provide the auditors with a listing of what was stored in the containers. There was also no evidence that periodic checks were carried out to ensure the items were adequately accounted for. The Ministry needs to ensure that there is the appropriate Asset Register in place and that it is brought up to date including all relevant items.

Former Department of Constituency Empowerment

- 3.4** The Department of Constituency Empowerment was discontinued in 2018. However, there are outstanding accounting matters which need to be addressed. There were thirty (30) Constituency Councils in operation each with a bank account to facilitate transactions. However, our investigations revealed that a large number of these accounts are still open. The Office was provided with statements for fifteen (15) of these councils and the aggregate amount of the sums on these accounts exceeded \$100,000. Bank account statements were not provided for the other fifteen (15) councils. There needs to be proper accounting for amounts spent from these accounts. Statements, up to the date of cessation, should be provided and after the settlement of any outstanding liabilities the balance should be paid into the Consolidated Fund.



Ministry of Energy and Water Resources

- 3.5** The Asset Register of the Ministry of Energy and Water Resources contained information relating only to assets purchased for the 2019-2020 financial year which totaled \$164,000. However, the value of the fixed assets recorded by the Treasury for this Ministry totaled \$25.4 million. The Ministry indicated that it had purchased a number of assets such as a Photo Voltaic Systems for other Ministries and Departments but these were not currently included in its records. This matter needs to be resolved so the information of the respective Ministries is updated.

Ministry of Agriculture and Food Security

- 3.6** The Ministry was in possession of an Asset Register; however, it was deficient in that there were a number of omissions in excess of \$800,000. In addition, no depreciation expense was calculated on assets of over \$1.2 million. The Ministry needs to ensure that the records are adequately up-to-date and the information that will be included in the financial statements are accurate.
- 3.7** There were some issues pertaining to the insuring of vehicles which needs to be addressed including their valuation. In a number of instances, some equipment was not insured.

Town and Country Development Planning Office

- 3.8** There were several control weaknesses observed in respect of revenue collection by this Office. Although each breach of control was not significant, the range of breaches would indicate that there needs to be improvements to prevent loss or misappropriation of Government's



assets. The weaknesses included revenue not being deposited on a timely basis.

- 3.9** The situation would tend to indicate a need to make accounting personnel more aware of the Financial Rules. This should create an environment in which the risk of loss to Government revenue is reduced.

Prime Minister's Office

- 3.10** A review of the accounts and accounting systems of the Prime Minister's Office revealed a number of control weaknesses. These included some omissions to the fixed asset register, absence of a contract register as required by Financial Rule 229, and the absence of invoices for credit card payments.
- 3.11** In addition to the above, there was the incorrect classification of expenditure totaling \$1.85 million. These payments to the National Conservation Commission should have been classified as Grants to Public Institutions but were incorrectly recorded as Machinery and Equipment (\$850,000) and Assets under Construction (\$1 million). The \$1 million was expended for the National Cleanup Project and its categorization as the purchase of an asset will overstate this item on the Government's Balance Sheet.



Response from the Prime Minister's Office

The National Conservation Commission (NCC) and the Ministry of Environment and National Beautification (MENB) were instructed to contract three hundred and sixty workers to assist with the debushing programme for a period of six weeks.

The NCC indicated that salary and wages amounted to one million, one hundred and fifty thousand dollars (\$1,150,000) and that equipment was procured at a cost of eight hundred and fifty thousand dollars (850,000).

The Prime Minister Office sought to provide the NCC with the funds urgently as they had already purchased the equipment and contracted the workers whose wages had to be paid weekly.

Overall Conclusion

- 3.12** The audit of various Ministries and Departments was carried out during the year. Unfortunately, I have not been in receipt of several reports from members of staff in a timely manner; hence comments from these are not included in this Report.
- 3.13** In terms of compliance issues reported, the main challenge appears to be tardiness in Ministries and Departments recording their assets. In addition, there is a need for greater compliance with Financial Rules in a number of Ministries and Departments in making operational expenditures from amounts voted for the purchase of assets. This results in Government expenses being understated and an asset account that contains entries which do not represent any asset. Some Ministries and Departments are also not compliant with the principles of accrual accounting and this results in the incorrect financial periods.



Audit of Barbados Revenue Authority

Introduction

- 3.14** The Barbados Revenue Authority (hereafter referred to as “the Authority”) was established by the Government of Barbados on 1st April, 2014 as a central revenue collecting agency, under the Barbados Revenue Authority Act, 2014. The Authority was established subsequent to the merger of the former Inland Revenue Department, Land Tax Department, Value Added Tax Division, Excise Taxes Division, and the revenue component of the Barbados Licensing Authority. The Authority, which started its operations from 1st April 2014, is governed by a Board which has the responsibility for its policy. The Revenue Commissioner is responsible for executing the Board’s policy and managing the affairs of the Authority.

Auditor’s Responsibility and Objective

- 3.15** Under the Revenue Authority Act, the Auditor General has the responsibility to audit the Authority’s annual accounts, to assess the reasonableness, fairness and reliability of the information submitted to him by the Authority, and to provide the Minister of Finance and the Authority with copies of the resultant report.
- 3.16** The onus for the proper discharge of the financial administration and presentation of the financial statements rests on the Authority. It is the Auditor General’s responsibility to form an independent opinion on the accounts, based on the audit carried out by this Office.
- 3.17** An audit of the accounts of the Barbados Revenue Authority was conducted on a sample basis for the period 1st April, 2019 to 31st March,



2020. The audit was performed in accordance with Section 21 (2) of the Barbados Revenue Authority Act, 2014-1, the Public Finance Management Act, 2019-01 and the International Public Sector Accounting Standards (IPSAS). The accounts audited included Agency Activities which are reported on the operations, that is the day-to-day transactions, and the Administered Activities which relate to the role of the Authority as an agency of the Crown to collect revenue on its behalf.

Audit Findings

Collections

- 3.18** A sample taken from the TAMIS system revealed that collections in the amount of \$12.177 million were not posted to the ledger (Smart Stream) revenue account. Given that the financial statements were compiled from the ledger, it indicates that revenue was understated. The extent of the understatement is likely to be more than revealed by the audit examination which was performed on a sample of the population. Therefore, the Authority is advised to ensure that reconciliations occur between the collections and the postings to the ledger, to avoid this situation.

Tax Receivables

- 3.19** Opening receivable balances on 1st April, 2019 were reported as \$260.428 million for Corporation Tax and \$102.727 million for Income Tax. These figures could not be verified as the auditors were not given relevant access to the accounting software to carry out necessary investigations. The Public Finance Management Act, 2019, which binds all entities of the Crown, stipulates that the Auditor General is at all times



entitled to view all records of an audited entity, and every facility shall be given in the carrying out of the examinations.

- 3.20** It should also be noted that the Authority had indicated that \$316 million for Income Tax and \$419 million for Corporation Tax representing receivables prior to 2013 were not included in the opening balance. The Authority has reported these omissions for several years but has apparently done little to rectify the situation. The Authority is advised to perform the necessary investigations to determine, what, if any of this amount is collectable. The balance should be written off.
- 3.21** Differences totalling \$576,038.81 were discovered when the schedule submitted for Land Tax receivables was compared to a sample of individual land tax accounts of property owners. This indicates that there needs to be a reconciliation between the schedule and what is recorded in the individual accounts. The errors discovered were only in relation to a sample and this suggests that there could be additional mistakes that need to be corrected.
- 3.22** It was observed from a sample of receivable accounts totalling \$17.576 million that interest of \$88,554.09, relating to the 2020-2021 financial year was applied to accounts of taxpayers in the 2019-2020 financial year. This resulted in an overstatement of receivables. This figure would be greater if the entire population was assessed. The Authority needs to comply with the accrual principles and ensure that income is reported in the correct accounting periods.
- 3.23** An amount of \$780,500.06 in dishonoured cheques could not be traced to the receivable schedule to determine if the receivable amount was



adjusted to reflect these cheques. This would indicate that the total receivables amount cannot be verified.

Tax Refunds

3.24 The schedules submitted for tax refunds owed by the Government totalled \$24.545 million which did not support Tax Refunds Payable reported in the Statement of Financial Position of \$569.824 million or the balance in the ledger of \$566.405 million. Thus, refund payables reported could not be verified.

3.25 Refunds were seen in the taxpayer account as unpaid, yet the same refund was recorded in the ledger (Smart Stream) as paid by cheque. Careful examination of the accounting for refunds is necessary to avoid duplicate payments.

Control Issues

3.26 The Authority uses a security firm to collect and deposit the funds received by the authority at the end of the work day. In this regard it was observed that the controls requiring signing-off on deposit slips were not always adhered to. For example, four (4) days' deposit slips in the amounts of \$20,098.05, \$10,480.35, \$30,365.45 and \$37,500 respectively did not carry any signatures. The Authority is advised to follow strict security measures when handling funds of the Crown so that individuals involved can be held to account if there are discrepancies.

3.27 For the financial year under review, it was noted that no documentation was presented to the Auditors indicating that surprise inspections had been conducted in accordance with the Financial Rules. With revenue



collection of \$1.839 billion, the Authority should ensure that this internal control procedure is carried out, thus ensuring that the funds collected on behalf of the Government are safeguarded and accurately recorded.

Presentation of Financial Statements

- 3.28** The statements presented for the Administered Activities needs to be reviewed as they do not comply with the requirements of the Public Finance Management Act, 2019-01, or with the accounting standards. The Act requires collectors of Revenue, such as the Authority, to submit statements of revenue which are incorporated with other amounts into the Consolidated Fund and used as a basis for reporting the Revenues of the Government. However, the Authority produced general purpose financial statements. These statements were deficient as there was the absence of a Statement of Financial Performance while a General Fund statement with a balance of \$26.278 million was included with no information on how it was derived.
- 3.29** This matter has been drawn to the attention of the Authority in previous reports, but it has so far not been addressed. At a recent meeting with the Chairman and Senior Management it was agreed that the provision of the Public Finance Management Act would be complied with.



CHAPTER 4

SPECIAL AUDITS

This chapter reports on two special audits conducted by the Audit Office. These include a special audit of Barbados' Employment Recruitment Programs in Canada and the United States of America and a review of the activities of the Poverty Eradication Fund.

BARBADOS' EMPLOYMENT RECRUITMENT PROGRAMS IN CANADA AND THE UNITED STATES OF AMERICA

Background

- 4.2** The Government of Barbados has sought to provide opportunities for Barbadian workers to be employed in a number of sectors in the USA and Canada. In order to facilitate the recruitment of workers, the Government of Barbados established Liaison Service Offices in these jurisdictions. The Liaison Service Offices are funded by the Government of Barbados through the Ministry of Labour and Social Partnerships (the Ministry).
- 4.3** The Liaison Service Offices' main function is to recruit workers under various programs established by these countries. These programs facilitate recruitment of foreign workers to supplement employment in the agricultural sector in Canada and the hospitality sector in both countries. These services are supported by the Barbados Employment and Career



Counselling Services (BECCS) which is the local employment arm of the Ministry. In this regard, BECCS is responsible for securing a pool of Barbadians for selection by the Liaison Service Office for employment in the USA and Canada.

- 4.4** This audit was conducted in accordance with Section 113 (2A) of the Constitution of Barbados, which empowers the Auditor General to carry out examinations into how Government controlled entities efficiently and effectively use their resources in discharging their functions.

Expectations

- 4.5** It is our expectation that the Barbados Liaison Service Offices would set employment targets for their operations in Canada and the USA. It was also expected that the Liaison Service Offices would organize and conduct their activities to ensure that they were executed in a cost effective manner, while adhering to accountability arrangements.

Audit Objective and Scope

- 4.6** The objective of the audit was to determine the efficiency and the effectiveness of the Liaison Service Offices' in fulfilling their mandate of providing employment opportunities to Barbadian workers in Canada and the USA. The review period was from the 1st April, 2014 to 31st March, 2020.

Methodology

- 4.7** Information for the review was gathered through interviews with the Permanent Secretary, Ministry of Labour and Social Partnerships; the



Director of Barbados Employment and Career Counselling Service (BECCS); Liaison Officers of the Liaison Service Offices in Canada and USA along with other Ministry officials. Files and other relevant documents from these agencies were reviewed and analyzed.

Liaison Service Office in Canada

4.8 The Barbados Liaison Service Office has been facilitating work opportunities for Barbadian workers in Canada for over fifty (50) years under the Seasonal Agriculture Worker Program (SAWP). In addition, it has also facilitated non-agricultural workers under the Temporary Foreign Workers Program (TFWP). Liaison Officers are primarily responsible for sourcing employment for Barbadian workers and providing support and representation while they are in the overseas jurisdiction. The expenditure incurred for the running of the Liaison Service Office in Canada totalled BDS\$3.26 million for the period under review. The main findings and activities of these programs are outlined below.

- ***Seasonal Agriculture Workers' Program***

4.9 The number of Barbadian workers in this program has steadily declined since the high point of one thousand and thirty-two (1,032) in 1989. Based on the information provided, an average of one hundred and sixty-two (162) workers participated in the program annually during the review period.



- 4.10** It is estimated that over thirty-five thousand (35,000) persons are employed from various overseas jurisdictions under the SAWP. This program is restricted to several Caribbean countries and Mexico. Barbados' participation in comparison to the other countries can be seen in Table 2 below. It indicates that Barbadian participation is decreasing while others had improved.

Country\Region	Percentage Increase/Decrease 2014 to 2017
Barbados	(4)%
Eastern Caribbean	22%
Jamaica	8%
Mexico	17%

Table 2: Percentage increase/decrease in participants between 2014 and 2017 by countries/regions

- 4.11** A review of various files and information provided by the Liaison Service Office indicated that several methods were employed to increase the number of workers in the program, which included attendance at agricultural trade shows and direct contact with farmers. However, the Liaison Service Office has not provided any evidence to indicate that the above-mentioned methods resulted in additional workers being recruited. It is important for this information to be provided since it would assist in determining the effectiveness of these efforts.
- 4.12** New opportunities have arisen with increased crop production in areas such as ginseng, green houses and vegetables. Available evidence does not suggest that Barbadian workers have been able to take advantage of the expanded opportunities in these specific areas.



Audit Comments

4.13 Based on the information provided, the number of Barbadians employed under the SAWP has remained relatively low over the review period. At the same time, the program has been growing steadily with an increase in Jamaican and Mexican workers being employed in Canada. Barbados has therefore seen its percentage of workers in the program decreased and it is essential that the relevant analysis be undertaken to determine the reason for this decline and to plot strategy to improve the recruitment position where possible.

- **Temporary Foreign Workers Program**

4.14 The Liaison Service also seeks to recruit workers into the Temporary Foreign Worker Program (TFWP) which allows Canadian employers to hire foreign workers to fill temporary jobs. The Canadian Government's policy stipulates that employers in any period are only allowed to hire foreign workers when the unemployment rate in the province is below six percent (6%). In this regard, there was a break in the program for four (4) years from 2014 to 2017 due to high unemployment in Canada.

4.15 Fifty-two (52) Barbadian workers have found employment at hotels in Canada under this program during 2017 to 2019 as follows:-

Calendar Year	Number of Workers Assigned
2017	0
2018	18
2019	34

Table 3: Number of participants in TFWP between 2017 and 2020



- 4.16** In 2019, there were approximately four hundred and seventy thousand (470,000) persons from various jurisdictions in this program. Sectors for employment included engineering, hospitality, health, academics and the technological industry. However, Barbados has a very low participation rate in this program which indicates that the full employment generating potential of the program was not being realized.

Audit Comment

- 4.17** There is significant opportunity for employment in this program. Increasing the number of workers in the program in the coming years would require the Liaison Service Office to increase its efforts to recruit prospective employees. The Liaison Service Office needs to implement new strategies to reach potential employers and this should include use of the electronic media. It also needs to broaden the base of recruitment areas.



Response from Liaison Office in Canada

... It should be noted that when the Program first started most of the workers from Barbados were employed in the cultivation and harvesting of tobacco. Over the past ten (10) years, there has been a significant decline in the cultivation of tobacco hence the decline in demand for workers for Barbados.

The diversification of crop cultivation and the construction of greenhouses have prevented additional employment opportunities under SAWP which once approached in a proactive manner can result in increased demand for workers from Barbados. In addition, it is expected that there is a reason to believe that after the COVID-19 pandemic, a number of job opportunities for migrant workers will become available for which we intend to take full advantage.

Another challenge is not being able to compete effectively with the other countries (Jamaica, Trinidad & Tobago and the OECS). Most of the other Territories have officers placed throughout Canada (mainly in the Province of Ontario) and are able to offer a more hands-on approach when soliciting employers and recruitment of workers. The importance of having officers strategically placed was even more evident during the last meeting held with the Growers/Employers' Association of Western Canada. One could not have help but notice the relationship which exists between the Liaison Officer from Jamaica and the employers.

... With regards to the Temporary Foreign Workers program (TFWP), our main challenge is securing approved work permits which are only approved after the Labour Market Impact Assessment (LMIA) is completed. LMIAs are only approved when the unemployment rate falls below 6% in the Province. The employer must also show proof to the government that they have exhausted all efforts through advertising to secure local employees.

... More vigorous solicitation for employment should be undertaken than what obtained in past years. Visits to farms should also be increased as this method has proven to be more successful than emails and telephone calls.



Liaison Service in USA – Miami

4.18 The Barbados Liaison Service Office (the Office) in the United States of America (USA) started operations in 2001. The Office has responsibility for facilitating recruitment of Barbadian workers in a number of visa programs in the USA. This section of the Report examines the effectiveness of its efforts in seeking out and finding employment opportunities for local workers in these programs. The expenditure incurred for the running of the Liaison Service Office in the USA totalled BDS\$1.91 million for the period under review. The findings with respect to these programs are outlined below.

- **H2B Program – Non-skilled Workers**

4.19 One of the programs for which workers are sought is the **H2B** program which is for non-skilled workers. The high point for the recruitment of workers in this program was in 2007 when employment was found for one hundred and ninety-one (191) workers. However during the last six years, 2014 to 2020, no workers were employed through the Liaison Service Office in the USA. This is in spite of various efforts made by the Office to jump-start the program. It should however be noted that the Liaison Officer indicated that there were several workers employed in the H2B program who joined through agencies other than the Liaison Service Office.

4.20 The Liaison Service Office indicated that, based on interviews with potential employers and their expressions of interest, it had projected that around forty (40) workers could be recruited annually during the period 2014 to 2017 and twenty-five (25) annually between 2018 and 2020. However, these projections did not materialized, and no workers



were recruited during the review period. It was unclear why the Liaison Service was not able to realize any of the projections.

- **Efforts to Increase Employment through the H2B**

4.21 The Liaison Office indicated that it made the following efforts to improve the involvement of employers in the H2B program:-

- Attendance at trade shows throughout the United States. At these trade shows, employers were encouraged to hire Barbadian workers and some were invited to Barbados to meet with workers.
- Joining various business organizations/agencies within the Miami area for networking purposes and to obtain a better understanding of the business culture within the United States. For example, the Liaison Service Office sought membership in the Florida Restaurant Association to ensure that they would network with suitable employers to encourage them to employ Barbadian employees.
- It should also be noted that a consultant was hired by the Ministry of Labour in financial year 2016/2017 to review the issues facing the Liaison Service Office in the recruitment process and sourcing prospective employers. This intervention however had no impact on any additional recruitment of workers into the program.



- **Other Employment Opportunities**

4.22 No evidence was provided that the Liaison Service Office attempted to place persons under programmes which include the (H1B¹, H2A², C1D³, J1⁴, and the J1 Work and Travel⁵) during the period under review. As a consequence, no workers were employed under any of these programs. It should be noted that the H2A program continues to employ hundreds of thousands of persons annually from other jurisdictions.

4.23 It is unclear why the Liaison Service Office did not pursue opportunities for employment under these programs especially the H2A program which was very popular with Barbadians in the past. The Office exists to source employment under all programs for Barbadians and needs to examine opportunities under other programs. If necessary, the Ministry of Labour should intervene to ensure that the Office takes advantage of the opportunities under all programs.

¹ Employ professionals, for example, teachers

² Focus on the employment of agriculture workers

³ Focus on employing persons for the Cruise lines

⁴ Focus on professionals participating in cultural or medical research and business training

⁵ Employ students to work at various hotels and resorts



Response from the Liaison Office in USA - Miami

The Liaison Office is also working with agents in New York and Florida for opportunities in the H2A and H2B programs as was stated in the interview, as well as initiating and continuing to have dialogue with successful Barbadians in the horse racing industry in several locations around the USA, in an effort to secure jobs in the equine industry. The office has also reached out to the cruise lines about employment opportunities.

In addition to the challenges posed by transportation costs, the H2B visa program presently has a cap of 66,000 visa per year while H1B program has a cap of 85,00 visas per annum with 20,00 of those reserved for post grad applicants. It should be noted that employers are actively agitating for increased cap numbers for these programs and with the new president who is pro-immigration, there is hope for the future.

Conclusion

- 4.24** The Government of Barbados has spent approximately BDS\$5.17 million on the operations of the Liaison Service Offices in Canada and USA during the past six (6) years. The purpose for the establishment of the Liaison Service Offices was to recruit Barbadians to work in the USA and Canada, and earn foreign exchange for the country. However no workers were recruited to work in the USA during that period while the numbers declined in Canada. This would have also resulted in limited foreign exchange being earned.
- 4.25** Based on the review, it could be concluded that the Liaison Service Office has not been effective in providing work for Barbadian workers in USA. There has been no employment provided for Barbadians under any of the programs available and employment projections have not



been realized. In this regard, the program has not been a success and should be reviewed.

- 4.26** The programs in both Canada and the USA have potential but new strategies would have to be developed, implemented, measured and monitored to ensure that the benefits originally envisioned can be realized to ensure that these programs are not a drain on the public purse.

Recommendation

- 4.27** It is recommended that:-
- The Ministry needs to review the operations of the Liaison Service Offices in Canada and the USA with a view to determine how they can best be restructured to better serve the interest of the country.

**Response from the Ministry of Labour and Social Partnership Relations**

Please note that the Ministry of Labour and Social Partnership Relations takes note of your suggestions and will review the operations of the Liaison Services in Miami and Canada to determine how they can best be structured to better serve the interest of the country.



POVERTY ERADICATION FUND

- 4.28** The Audit Office conducted a review of the Poverty Eradication Fund (the Fund) for the period 1st April 2007 to 31st July 2019. The Fund was established in July 1997 to assist the most vulnerable groups in the society in times of acute needs, particularly where such needs could not be met from traditional sources of funding⁶. A Poverty Eradication Committee (the Committee) was set up to administer the Fund. Subsequently, a Poverty Alleviation Bureau (the Bureau) was established in 1998 to oversee antipoverty programmes and assistance from the Fund. The Committee, with the assistance of the Bureau, examined cases (that they were made aware of) to determine those deserving of assistance.
- 4.29** Recommendations for assistance to individuals and groups were forwarded to the Committee for approval on a monthly basis. When the Committee was in place, it considered requests from individuals whose household income levels fell below the poverty line of \$5,503.00⁷ per annum. The Committee was disbanded in financial year 2008/2009. Subsequently, recommendations for assistance were sent to the Minister of the then Ministry of Social Care and/or Permanent Secretary for approval. The Bureau was “phased out” in July 2009.
- 4.30** During the review period, disbursements for assistance from the Fund totaled approximately \$24.06 million. Assistance provided through the Fund included payment of rent and utilities arrears, repair and

⁶ Taken from a report prepared by Division of Gender Affairs for the Fourth World Conference on Women

⁷ BDS\$5,503.00 was defined by the IDB in its report in 1996 as the base line of poverty in Barbados.



construction of houses, provision of water borne toilet facilities, and financial assistance to Non-Governmental Organisations (NGOs), Community Based Organisations (CBOs) and other groups.

Reason for the Audit

- 4.31** The audit was requested by the Permanent Secretary, Ministry of People Empowerment and Elder Affairs (the Ministry), based on concerns about the seeming lack of criteria for approving the assistance and the type of assistance being provided.

Audit Objective and Scope

- 4.32** The objective of the audit was to determine whether monies paid from the Fund were in accordance with established criteria, by verifying: -

- Assistance provided was in agreement with the policy of the Fund;
- Proper authorisation/approval was granted for the assistance provided;
- Funds provided were actually utilised for the intended purpose; and
- Approved repairs and construction of houses were completed.

- 4.33** The audit examined the activities of the Fund for the period 1st April 2007 to 31st July 2019.

Expectations

- 4.34** It was expected that:-



- Approvals for assistance would be in compliance with the objective/s of the Fund.
- There would be clearly defined criteria for disbursing monies from the Fund.
- Monitoring mechanisms would be in place for ensuring that funds disbursed were used for the intended purpose.

Methodology

4.35

In preparing this report, meetings were held with the:-

- Permanent Secretary (PS) and Deputy Permanent Secretary (DPS), Ministry of People Empowerment and Elder Affairs; and
- Directors of the National Assistance Board (NAB), Urban Development Commission (UDC) and the Rural Development Commission (RDC) as well as the Chief Welfare Officer (CWO).

Two (2) former Coordinators⁸, the current Coordinator (Ag) and other personnel of the Poverty Alleviation and Reduction Programme (PARP) were also interviewed. In addition, files, records and other documentation were reviewed and analysed.

⁸ The Coordinator plans, directs and coordinates activities of designated projects of the Poverty Alleviation Fund to ensure that the aims, goals or objectives specified for projects are accomplished in accordance with prescribed priorities, time limitation and funding conditions. S/He is also responsible for reviewing project proposals and assessments completed by the Field Investigators and making recommendations for assistance for the applicants.



FINDINGS

Assistance Provided

Assistance from the Fund

- 4.36** There were a number of issues pertaining to the review which were of concern to the auditors. These included:-
- i. The absence of specific documentation outlining the objectives of the Fund not being provided. This information would have been critical in establishing whether the stated objectives were being met; and that disbursements were being made in accordance with set criteria.
 - ii. The absence of approved criteria for selecting individuals to be assisted or projects to be funded. These criteria would have been used as a benchmark to assess whether only eligible persons obtained benefits from the Fund.
 - iii. There wasn't a formal method for alerting prospective beneficiaries of the assistance available through the Fund. The Fund is providing assistance to the most vulnerable in society with the aim of alleviating and eradicating poverty. It would be expected that there would be some form of advertising to ensure that the average person is aware of the Fund.
- 4.37** It was drawn to the auditors' attention that the Committee was made aware of cases through Parliamentary Representatives or other agencies. Leaving the awareness of the Fund to these groups is a weakness on the part of the Ministry. The Ministry has an obligation to



ensure that the most vulnerable are aware of the assistance provided through the Fund and should do so in a manner that reaches them.

Doubtful Disbursements from the Fund

- 4.38** Notwithstanding the limitation in determining the appropriateness for disbursements from the Fund, there were disbursements which seem not to readily fit the description of alleviation of poverty. These included disbursements for mortgage arrears, a marriage seminar, and sponsorship of shows. The criteria used to approve these disbursements was not provided. A previous Coordinator of the Fund was of the opinion that “assistance for mortgages was not part of the mandate of the Fund”.

Assistance to NGOs, CBOs and Other Groups

- 4.39** NGOs, CBOs and other groups submitted applications to the Bureau for assistance with programmes which were promoted as being “poverty driven”. Over the years, the Fund has provided monetary assistance in excess of \$1.55 million to these agencies and, in some cases, on an annual basis.

- 4.40** The Audit observed that there was no formalised system for following up on the assistance provided to ensure that the reduction in or alleviation of poverty was indeed being realized through these programmes. In addition, no evidence was provided to indicate that the Ministry confirmed that the amounts were spent for the intended purpose.

Assessments of Cases and Authorisation of Disbursements

- 4.41** An assessment form was utilised by the Field Investigator/s to capture information on the individuals who requested assistance from the Fund. The information collected included the:-



- type of assistance required;
- reason for the application;
- number of occupants in the household and their employment status;
- total household income and expenditure per month; and
- health and nutritional status of members of the household.

4.42 The Field Investigator would analyse the information obtained and make a recommendation as to what type of assistance should be granted, if any. This was done on a case by case basis. It was observed that the Coordinator would carry out assessments of the proposals submitted by NGOs, CBOs and other groups for assistance.

4.43 From a sample comprising three hundred and sixteen (316)⁹ cases, no assessments were seen for one hundred and twenty-two (122) cases. Hence, it was not clear on what basis the assistance for those cases were provided as the assessment is critical to determining the living conditions and the financial status of the individuals requesting assistance. It was also noted that approval of assistance, by either the Minister or Permanent Secretary, was not seen for thirty-six (36) cases.

Housing Programme

4.44 From the inception of the Housing Programmes, housing repairs and construction were done by the Rural and Urban Development Commissions on behalf of the Fund. During the period, 1st April, 2007 to 31st March, 2018, \$6.71 million was disbursed to the Rural and Urban Development Commissions as broken down in the table below.

⁹ In some cases, this include multiple approvals for the same beneficiary.



Financial Year	Urban Development Commission (UDC)	Rural Development Commission (RDC)
2007 – 2008	258,371.21	2,554,364.06
2008 – 2009	867,572.43	847,572.43
2009 – 2010	678,133.98	660,087.97
2010 - 2011 ¹⁰	0.00	0.00
2011 – 2012 ¹¹	0.00	446,059.41
2012 – 2013	52,272.86	299,001.23
2017 - 2018	41,650.00	0.00
TOTAL	1,898,000.48	4,807,085.10

Houses not Constructed by Rural and Urban Development Commissions

4.45 Audit personnel along with representatives from the Ministry visited thirty-four (34) locations to verify that houses approved to be built or repaired were completed. It was observed that in eight (8) cases, no houses were built. Three (3) of the houses not constructed were assigned to the UDC and the other five (5) to RDC. The Ministry indicated there was one other house, assigned to UDC and not visited by the Auditors, that was not constructed.

4.46 A total of \$620,843.01 was disbursed (\$262,008.49 to UDC and \$358,834.52 to RDC) between 2007 and 2013 for the construction of the houses not built. The Auditors were unable to verify whether the monies received for the construction of these houses were returned to the Fund

¹⁰ No requests were made to RDC and UDC as they were concentrating on housing matters related to Storm Tomas.

¹¹ No requests were made to UDC as they were concentrating on housing matters related to Storm Tomas.



by UDC and RDC as the relevant files were not provided for audit inspection.

Monitoring of the Construction/Repair of Houses by UDC and RDC

- 4.47** There was no evidence on file that the Bureau's/Ministry's personnel followed-up to ensure that houses assigned to be constructed or repaired by UDC and RDC were actually constructed/repaired as specified. Only when the Auditors conducted the site visits did the representatives from the Ministry discover that some houses were not built. The results of the site visits indicate that confirmation that the funds were spent as intended was lacking. Follow-up by the Ministry is important to ensure that beneficiaries receive the assistance that was approved.

Construction/Repair of Houses Supervised by the Ministry

- 4.48** Prior to January 2013, houses were constructed or repaired by UDC or RDC on behalf of the Fund. Subsequently, the Ministry undertook the responsibility for constructing or repairing the houses. Based on the minutes of a meeting held on 7th December, 2012, the shift away from utilising UDC and RDC was linked to two (2) challenges:-

- “the receipt of estimates, and
- the effecting of house repairs/construction in a timely manner”.

- 4.49** It was also noted in the minutes that “the above challenges severely retarded the progress of this aspect of the Ministry's work”. In this regard, the Ministry obtained the services of a consultant to provide project management services which included the provision of scope of works and cost estimates for repairs; advice on the selection of



contractors, if required; and the provision of interim and completion reports on the projects.

- 4.50** The Financial Management and Audit (Financial) Rules, 2011 required that contracts be issued for services above \$50,000. Amounts totaling \$2.16 million were paid to four (4) contractors between the 1st April, 2012 and the 31st March, 2019. No written contracts were provided to support the disbursements above \$50,000 that were made to these contractors. In addition, no offer and acceptance letters were seen on the files reviewed. The absence of contracts could have resulted in the Ministry being disadvantaged in case of litigious issues with the contractor/s since there were no written terms and conditions to which the contractor/s should have adhered.

Consultant's Fees

- 4.51** A review of accounting records showed that a Consultant was paid a total of \$298,104.84 for work performed at different times during the period 22nd January, 2013 to 31st May, 2018. Some of these periods were continuous to the extent that the payments exceeded the \$50,000 threshold for which a contract is required as noted in the Financial Rules. No written contracts were provided for these periods.

Conclusion

- 4.52** The Poverty Eradication Fund was established twenty (20) years ago with the aim of assisting with the eradication and alleviation of poverty in Barbados. Over the past ten (10) years, the Fund has provided assistance through a number of initiatives which costed approximately \$24 million. These initiatives included house constructions and repairs,



assistance to various Non-Governmental and Community Based organisations and the payment of arrears in rents and utilities.

4.53 There were a number of disbursements that did not appear to be connected to any poverty alleviation strategy. There were no monitoring or follow-up reports for funds provided to a number of NGOs, CBOs and other groups. In some cases, the Fund duplicated efforts that were being undertaken by other government agencies.

4.54 The concerns highlighted in this report signify a need to relook the operations of this Fund in order to establish clear objectives and a strategy to assist with the alleviation of poverty.

Recommendation:

4.55 It is recommended that:-

- The Ministry determines the future role of the Fund and its governance taking into account the assistance provided by other Government agencies;
- Criteria should be established for disbursement of monies;
- The Ministry determines the most cost effective method to provide assistance to the most vulnerable persons in society;
- Procedures for monitoring and following up all programmes be implemented to ensure that funds disbursed are used for the intended purposes;



- Monies disbursed to UDC and RDC for houses that were not constructed should be recovered;
- The Ministry investigates the reasons why the houses were not constructed and determine the way forward in assisting the intended beneficiaries;



Response from the Ministry of People's Empowerment and Elder Affairs

The Ministry has no objection in principle to the findings of the Report, as well as the recommendations contained therein ...

We have taken careful note of the Report's recommendations, primarily "the need to determine the future role of the Fund and its governance taking into account the assistance provided by other Government agencies".

Indeed, that is our objective and as part of the internal review of the fund, a meeting was conducted with the stakeholders, including NGO beneficiaries, on July 19, 2019, where it was agreed that the Fund would be placed on pause while the audit was being conducted, and until a determination was made for the Fund's future and firm criteria set for disbursement of funds.

The Ministry commends the work of the officers of the Barbados Audit Office and will be guided by its findings and recommendations.



CHAPTER 5

Audit of Statutory Boards, Government Companies and Controlled Entities

The Office of the Auditor General is responsible for reporting to Parliament on the audit of 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 31st December, 2020. The chapter is divided into two sections. The first contains an update of audit reports on those entities audited by the Barbados Audit Office, and the second reports on the other Government 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 31st March, 2014 to 2017



were submitted to the Audit Office and will be audited during 2021. The Financial Statements for the period 1st April, 2017 to 31st March, 2020 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 2015 to 2019 were received by my Office and will be audited in 2021.

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 Financial Statements of the College for the financial years ended 31st March, 2020 were being audited at the time of the publication of this report.

Barbados Defence Force

- 5.8** The Financial Statements of the Barbados Defence Force for the financial years ended 31st March, 2015 to 2018 were audited by my staff during 2020. The audit of the accounts for the financial years ending 31st March, 2019 and 2020 have not commenced because the relevant statements and schedules have not been made available to the auditors.



Barbados Hospitality Institute

- 5.9** The Barbados Hospitality Institute falls under the aegis of the Barbados Community College. The Institute conducts training for persons pursuing careers in the Hospitality Industry. The audit of the accounts for the financial years ended 31st March, 2019 and 2020 are in progress.

Barbados Liaison Service – Miami

- 5.10** The Barbados Liaison Service in Miami administers a program relating to the recruitment of Barbadian worker for employment in the USA. A special audit on the review of the performance of this agency was conducted during the 2020 and the results of this review are included in this annual report.

Barbados Liaison Service – Toronto

- 5.11** The Barbados Liaison Service in Toronto administers a program relating to the recruitment of Barbadian workers to fill employment opportunities mainly in the farm and hotel workers sectors in Canada. A special audit on the review of the performance of this agency was conducted during the 2020 and the results of this review are included in this annual report.

Caribbean Centre for Development Administration (CARICAD)

- 5.12** The Caribbean Centre for Development Administration (CARICAD) provides assistance to the countries of the Caribbean region for the purpose of improving their administrative capability. The audit of the Financial Statements for the Financial Years ended 31st March, 2015 to 2018 is in progress. Financial statements for the Financial Years ended 31st March, 2019 and 2020 have not been provided for auditing.



Catastrophe Fund

5.13 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.

5.14 The audit of the accounts for the years ended 2011 to 2013 were completed during 2020. However, accounting statements and schedules for the financial years 2015 to 2019 have to date not been submitted to the Office for auditing.

Community Legal Services Commission

5.15 The Community Legal Services Commission provides legal aid to persons in the country who need assistance, and meet the established criteria. The audits of the accounts for the financial years ended 31st March, 2011 to 2020 commence in 2020 and these audits are ongoing.

Erdiston Teachers' Training College

5.16 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 31st March, 2013 to 2019 are currently being audited by auditors from the private sector.

National Assistance Board

5.17 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.

- 5.18** The audit for the year ended 31st March, 2020 was 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

- 5.19** The National Insurance Fund has been established to allow for eligible Barbadians to benefit from programs established to provide monetary benefits to senior and others who meet the qualifying criteria. The audit of the accounts of the National Insurance Fund continues to be a challenging exercise. During 2020, the audit for the 2011 financial year commenced; however, this has not been completed. There were a number of significant errors in the accounts and the Department has requested some additional time to try to attempt to correct them.
- 5.20** In my previous report I had indicated that in order to bring the audit of the Fund up to date, there needs to be the submission of accounts and supporting schedules in a timelier manner and that, if current trends continue, the Office would be hard pressed to complete the audit of more than two or three years during 2020. This pessimistic assessment was not even realized and this situation remains unacceptable. Some efforts are being made to improve the situation and my Office will ensure that



the relevant resources are available to complete the audit when the accounts are brought up to date and presented for auditing.

Retraining Fund

5.21 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.

5.22 The audit of the accounts of the Fund for the financial years ended 31st December, 2016 to 2019 commenced during the year. The audit of these accounts are currently on going.

Samuel Jackman Prescod Institute of Technology

5.23 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 1st October, in respect of the preceding financial year, Statements of Accounts audited by the Auditor General.

5.24 The Institute has submitted financial statements for audit for the 2017 to 2019 financial years and these are currently being audited. Statements for the financial years ending 31st March, 2020 have not been submitted to the Office and hence an audit of these accounts has not commenced.



Sanitation Service Authority

- 5.25** The audits of the Financial Statements of the Sanitation Service Authority for the financial years ended 31st March, 2019 and 2020 are currently in progress.

Severance Payment Fund

- 5.26** The Severance Fund was established by the Severance Payment Act, Cap. 355A. The audits of the accounts of the Severance Fund for the financial years ended 31st December, 2010 to 2014 were completed during the year. Accounts for the periods 31st December, 2015 to 2019 have not been made available to the Audit Office for auditing; hence these audits are currently in arrears.

Sugar Workers' Provident Fund

- 5.27** 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 31st December, 2014 to 2018 were audited by the Audit Office and reports issued during 2020. The audits for the financial years ending December 2018 and 2019 are in progress.

Transport Authority

- 5.28** The Transport Authority was set up on 1st August, 2008 to regulate, monitor and plan for public transportation in Barbados. The audit of the financial statements for the years ended 31st March, 2011 to 2014 has been completed. The audit of the accounts for the financial years ended



31st March, 2015 to 2020 is outstanding.

Unemployment Fund

- 5.29** 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 31st December, 2013 and 2014 were audited in 2020. Accounts for the financial years 2015 to 2019 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

- 5.30** 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.

- 5.31** 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 Trust has indicated that the audit of the accounts for the financial years ended 31st March, 2014 to 2020 are ongoing. The



Trust indicated that it continues to experience financial and other challenges which impacts its ability to have the accounts audited in a timely manner.

Barbados Agricultural Development and Marketing Corporation

5.32 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.

5.33 The Corporation reported that the audit of the Financial Statements for the year ended 31st December, 2019 has been completed.

Barbados Agricultural Management Co. Ltd

5.34 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 30th June, 2018. The audits for the financial years ended 31st March, 2019 to 2020 are outstanding.

Barbados Cane Industry Corporation

5.35 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 31st 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 2020 were therefore outstanding. There is some uncertainty about the continued operations of this entity.

Barbados Conference Services Ltd.

- 5.36** 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 31st March, 2020 is completed.

Barbados Investment and Development Corporation

- 5.37** 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 31st March, 2020.

Barbados National Oil Company Ltd.

- 5.38** 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.

- 5.39** The audits of the accounts of the BNOCL for the financial year ended 31st March, 2020 have been completed. The audit of the accounts are therefore up to date.

Barbados National Terminal Company Limited

- 5.40** 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 year ended 31st March, 2020.

Barbados Port Inc.

- 5.41** 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 audit of the accounts for the financial year ended 31st March, 2020 been completed. The audit of its accounts are therefore up to date.

Barbados Tourism Authority

- 5.42** 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.



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

Barbados Tourism Marketing Inc.

- 5.44** The Barbados Tourism Marketing Inc. (BTMI) reported that the audits of the accounts for the financial years ended 31st March, 2014 to 2020 are in progress.

Barbados Tourism Product Authority

- 5.45** The Barbados Tourism Product Authority was merged with the Barbados Tourism Marketing Inc. which has indicated that outstanding audits for the 2014 to 2020 financial years are in progress.

Barbados Tourism Investment Inc.

- 5.46** 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.

- 5.47** The Corporation has reported that the audits of the accounts for the financial year ended 31st March, 2019 has been completed. The audit for the financial year ending 31st March, 2020 is currently outstanding.

Barbados Vocational Training Board

- 5.48** 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.

- 5.49** The Board has indicated that the audit of the accounts for the financial years up to 31st March, 2018 has been completed. The audits of accounts for the period 1st April, 2018 to 31st March, 2020 are currently outstanding.

Barbados Water Authority

- 5.50** The Barbados Water Authority (BWA) was established by the Barbados Water Authority Act 1980 - 42 to take over the functions, rights and liabilities of the Waterworks Department on the “appointed day”, which is regarded as 1st April, 1981.
- 5.51** The BWA reported that the audit of the accounts for the financial years ended 31st March, 2018 to 2020 is in progress.

Caribbean Broadcasting Corporation

- 5.52** The principal activity of the Caribbean Broadcasting Corporation (CBC) is the provision of broadcasting services through radio and television. The Corporation reported that the audit of the accounts up to the financial years ended 31st March, 2020 has been completed.

Caribbean International Airways Ltd

- 5.53** Caribbean International Airway Ltd. reported that it had significant challenges with accounts personnel and with the accounting system which has hampered the progress of the audits. It stated that audits up



to the period ending 31st March, 2020 were in progress.

Caves of Barbados Ltd.

- 5.54** 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 31st March, 2020 was completed.

Central Bank of Barbados

- 5.55** 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 31st December, 2019 was completed and up to date.

Child Care Board

- 5.56** 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 31st March, 2020 has been completed.



Enterprise Growth Fund Limited

- 5.57** 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 31st March, 2020 has been completed.

Fair Trading Commission

- 5.58** 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.
- 5.59** 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 31st March, 2020 has been completed.

Financial Services Commission

- 5.60** The Financial Services Commission (FSC) commenced operations on 1st 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 31st March, 2020 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).

5.63 The GAIA has reported that the audit of the Financial Statements for the financial year ended 31st March, 2020 has been completed.

Hotels and Resorts Ltd.

5.64 Hotels and Resorts Ltd. was incorporated under the Laws of Barbados on 27th December, 1995. The principal activity of Hotels and Resorts Ltd. is the investment in, and development of hotel premises. The audit of the Financial Statements for the period ended 31st March, 2020 was completed and an unqualified opinion was issued. The audit of the accounts were therefore up to date.



Islandcrafts (Barbados) Inc.

- 5.65** 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

- 5.66** 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.

- 5.67** The audit of the accounts of the Commission has been completed up to the financial years ended 31st 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 31st March, 2014 to 2020 are outstanding.

National Council on Substance Abuse

- 5.68** 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.

- 5.69** 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 31st March, 2020. The audit has been completed and is therefore up to date.



National Cultural Foundation

5.70 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.

5.71 The Foundation has reported that the audit of the accounts for the financial year ended 31st March, 2020 has been completed.

National Housing Corporation

5.72 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.

5.73 The Corporation has reported a number of challenges in bringing the audit of its accounts up-to date. The audit of the accounts for the financial years ended 31st March, 2013 and 2014 both received a disclaimer of opinion. The accounts for the period 31st March, 2015 to 2019 will not be audited and the audit for the period ended 31st March, 2020 is currently in progress.

National Petroleum Corporation

5.74 The National Petroleum Corporation (the Corporation) has as its principal activity the supply of natural gas to industrial, commercial and domestic customers. The Corporation has indicated that the audit of the accounts for the financial year ended 31st March, 2020 has been completed.



National Sports Council

- 5.75** 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 audit of the accounts for the financial years ended 31st March, 2013 to 2019 were in progress.

Needham's Point Holdings Limited

- 5.76** Needham's Point Development Inc. was incorporated under the Companies Act of Barbados on 13th 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.

- 5.77** The audit of the accounts for the financial year ended 31st March, 2020 has been completed.

Needham's Point Development Inc.

- 5.78** Needham's Point Development Inc. was incorporated under the Companies Act of Barbados on 22nd 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.

- 5.79** The audit of the accounts for the financial year ended 31st March, 2020 has been completed.



Queen Elizabeth Hospital

- 5.80** The Queen Elizabeth Hospital (QEH) has as its principal activities the provision of medical care for patients, facilitating the provision of medical education and research, and providing facilities and technical support for education and training in nursing and other health related professions.
- 5.81** The Hospital has reported that the audit of the accounts for the financial years ended 31st March, 2012 to 2019 are at various stages of completion. The audit of the accounts for 2020 is yet to commence.

Rural Development Commission

- 5.82** The Rural Development Commission (the Commission) was incorporated on 21st August, 1995 under the Rural Development Commission Act, 1995 - 12. Its principal activity is to improve the quality of life of persons living in rural communities in Barbados.
- 5.83** The Commission reported that the audit of the accounts for the financial year ended 31st March, 2009 is being finalized. In this regard, it should be noted that the audit of the accounts for the financial years ended 31st March, 2010 to 2020 are outstanding.

Student Revolving Loan Fund

- 5.84** 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 31st March, 2020 has



been completed and was therefore up to date.

Technical and Vocational Education and Training (TVET) Council

- 5.85** 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 31st March, 2020 was reportedly in progress.

Transport Board

- 5.86** The Transport Board's principal activity is the provision of transportation to the general public. The Board has indicated that the outstanding audits of the accounts for the 2016 to 2019 financial years have been completed. The audit of the accounts for the 2020 financial year is yet to commence.

Urban Development Commission

- 5.87** 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 31st March, 2018 to 2020 has been completed. There was however some uncertainty about action taken on the audits which were outstanding for the period 31st March, 2008 to 31st March, 2017.



Audits of Secondary Schools

5.88 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 31st March. The status of the accounts of these schools at 31st March, 2020 was as follows:

Up-to-Date Audits

5.89 The audits of the accounts of the schools listed below have been completed for the financial year ended 31st March, 2020. 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

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

- **Alexandra School**

5.91 The School has reported that the audits for the periods ending 31st March, 2016 to 2020 were outstanding.

- **Alleyne School**

5.92 The School reported that the audits of its accounts for the financial



years ended 31st March, 2015 to 2020 had not commenced and are therefore outstanding.

- **Alma Parris Secondary School**

5.93 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**

5.94 The Christ Church Foundation School reported that the audits of the accounts for the financial years ended 31st March, 2013 to 2020 were outstanding.

- **Coleridge and Parry School**

5.95 The School has reported that the audit of the accounts for the financial year ended 31st March, 2012 is completed. The audit of the accounts for the financial year ended 31st March, 2013 is said to be in progress. The audit of the accounts for the financial years 2013 to 2019 is outstanding.

- **Combermere School**

5.96 The audits of the accounts of the Combermere School for the financial years ended 31st March, 2011 to 2020 are outstanding.

- **Ellerslie Secondary School**

5.97 The school has reported that the audits of its accounts for the financial years ended 31st March, 2019 to 2020 were outstanding.



- **Frederick Smith Secondary School**

5.98 The Frederick Smith Secondary School has revealed that the audits of the accounts for the financial years ended 31st March, 2013 to 2020 are outstanding.

- **Grantley Adams Memorial School**

5.99 The audits of the accounts of the Grantley Adams Memorial Secondary School for the financial years ended 31st March, 2013 to 2020 are outstanding. It has employed the services of private auditors but was receiving some challenges in obtaining relevant information from the Treasury in order for the audits to proceed.

- **Graydon Sealy Secondary School**

5.100 The Graydon Sealy Secondary School reported that the audit of the accounts for the financial year ended 31st March, 2016 was in progress; however the auditors have experienced some challenges that have retarded the progress. The audits for the financial years ended 31st March, 2017 to 2020 are also outstanding.

- **Harrison College**

5.101 Harrison College has indicated that the audits of the accounts for the financial years ended 31st March, 2019 to 2020 are outstanding. The audit for 2018 was said to be in progress.

- **Lester Vaughan School**

5.102 The Lester Vaughan School reported that the accounts for the financial



years ended 31st March, 2014 to 2015 were being audited. The audits of the accounts for the period ended 31st March, 2016 to 2020 had not yet commenced.

- **The Lodge School**

5.103 The Lodge School has once again reported that the accounts for the financial years ended 31st March, 2017 to 2018 are being prepared for the auditors. These along with the audits for 2019 and 2020 remain outstanding.

- **Parkinson Memorial School**

5.104 The audits of the accounts of the Parkinson Memorial School for the financial years ended 31st March, 2013 to 2020 are outstanding. The School indicated that the private auditor was in the process of conducting audits from 2013 onwards.

- **Princess Margaret Secondary School**

5.105 The audits of the accounts of the Princess Margaret Secondary School for the years ended 31st March, 2013 to 2020 are currently outstanding. The School has indicated that it is awaiting a response from the Ministry of Education on the selection of an auditor.

- **Queen's College**

5.106 The audits of the accounts of Queen's College for the financial years ended 31st March, 2013 to 2019 are in progress. The audit for the financial year ended 31st March, 2020 has not commenced.



- **Springer Memorial Secondary School**

5.107 The audit of the accounts of the Springer Memorial Secondary School for the financial year ended 31st March, 2013 was said to be in progress. The audits for subsequent years have not commenced.

- **St. George Secondary School**

5.108 The audits of the accounts of the St. George Secondary School for the financial years ended 31st March, 2013 to 2020 are outstanding.

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

5.109 The audits of the accounts of the St. Leonard's Boys' Secondary School for the financial years ended 31st March, 2013 to 2020 are outstanding.

- **St. Michael School**

5.110 The St. Michael School reported that the audits of its accounts for the financial years ended 31st March, 2013 to 2020 are outstanding.

General Observations

5.111 The position with the outstanding level of arrears in the audits of state entities has improved over the past year but it however continues to be a cause of concern.

5.112 The Public Finance Management Act, 2019-1 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.

- 5.113** 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.

**OFFICE OF THE AUDITOR GENERAL
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

OFFICE OF THE AUDITOR GENERAL

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INDEPENDENT AUDITORS' REPORT

To the Public Accounts Committee

Opinion

We have audited the financial statements of the *Office of the Auditor General (the "Office")*, which comprise the Statement of Financial Position as at March 31, 2020, and the Statement of Financial Performance and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Office's ability **to** continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Office to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tapaz Consulting Inc.

Chartered Accountants
November 10, 2020
Bridgetown, Barbados

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Position

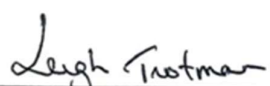
As at March 31, 2020

(Expressed in Barbados Dollars)

	Notes	2020	2019
Assets			
Current Assets			
Cash and Cash Equivalents		150	150
Total Current Assets		<u>150</u>	<u>150</u>
Other Assets			
Plant, Furniture and Equipment	(4)	48,955	55,863
Total Other Assets		<u>48,955</u>	<u>55,863</u>
Total Assets		<u>49,105</u>	<u>56,013</u>
Liabilities and General Fund			
Liabilities			
Current Liabilities			
Cash due to Treasury		150	150
Total Current Liabilities		<u>150</u>	<u>150</u>
Long Term Liabilities			
Capital Contribution	(6)	48,955	55,863
Total Long Term Liabilities		<u>48,955</u>	<u>55,863</u>
Total Liabilities		<u>49,105</u>	<u>56,013</u>
Net Assets		<u><u> </u></u>	<u><u> </u></u>
General Fund		<u><u> </u></u>	<u><u> </u></u>

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

Approved by:



Auditor General

OFFICE OF THE AUDITOR GENERAL

Statement of Financial Performance For the year ended March 31, 2020

(Expressed in Barbados Dollars)

	Notes	Approved Budget	2020	2019
		2020	2020	2019
		\$	\$	\$
Income				
Government Contribution		3,641,422	3,037,949	3,172,949
Total Income		3,641,422	3,037,949	3,172,949
Operating Expenses				
Statutory Personal Emoluments		2,642,043	2,504,053	2,575,302
Other Personal Emoluments		269,844	35,255	48,435
Employers Contributions		291,609	247,634	222,489
Travel		13,500	6,874	7,629
Utilities		49,500	28,664	42,785
Library Books & Publications		3,350	1,894	2,124
Supplies and Materials		28,900	22,518	30,352
Maintenance of Property		48,280	40,364	23,204
Operating Expenses		135,846	98,822	73,054
Contingencies		5,000	4,005	4,614
Subscriptions		3,550	2,040	3,206
Professional Services - General		50,000	45,826	19,754
Professional Services - Statutory		100,000		120,000
Total Operating Expenses		3,641,422	3,037,949	3,172,949
Operating Surplus/(Deficit) before the following items:				
Other Items				
Depreciation	(4)	-	(19,902)	(17,676)
Capital Grant - Amortisation	(6)	-	19,902	17,676
Excess Expenditure/Income over Income/Expenditure				

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

OFFICE OF THE AUDITOR GENERAL

Statement of Cash Flows

For the year ended March 31, 2020

(Expressed in Barbados Dollars)

	Notes	2020 \$	2019 \$
Cash Flows from Operating Activities			
Suplus (Deficit) for the year			
<i>Adjustments for:</i>			
Depreciation	(4)	(19,902)	(17,676)
Amortisation of capital grants	(6)	19,902	17,676
<hr/>			
Operating surplus (deficit) before changes in working capital			
<hr/>			
<i>Net cash flows from operating activities</i>			
<hr/>			
Cash Flows from Investing Activities			
Purchase of plant, furniture and equipment	(4)	(12,996)	(10,585)
<hr/>			
<i>Net cash flows used in Investing activities</i>			
<hr/>			
Cash Flows from Financing Activities			
Capital contribution	(6)	12,996	10,585
<hr/>			
<i>Net cash from financing activities</i>			
<hr/>			
Increase in Cash during the year			
Cash at the beginning of year		150	150
<hr/>			
<hr/>			
Cash at end of year		150	150
<hr/>			
<hr/>			

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

OFFICE OF THE AUDITOR GENERAL

Notes to the Financial Statements For the year ended March 31, 2020

(Expressed in Barbados Dollars)

1. General Information

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

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

2. Basis of Presentation

(a) Basis of Measurement

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

The financial statements were approved by the Auditor General on November 10, 2020.

(b) Presentation Currency

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

(c) Period of Reporting

The reporting and budgeting period represented is the financial year April 1, 2019 to March 31, 2020.

(d) Measurement Uncertainty

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

OFFICE OF THE AUDITOR GENERAL

Notes to the Financial Statements For the year ended March 31, 2020

(Expressed in Barbados Dollars)

3. Significant Accounting Policies

(a) Revenue Recognition

i) Government Contribution

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

ii) Crown Revenue

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

(b) Expenses

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

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

(c) Capital Contributions

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

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

(d) Plant, Equipment and Furniture

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

Extract of Sixth Schedule

Financial Rules 18(4) and 47(1)

Depreciation of Property, Plant and Equipment

	Useful Life (Years)
Machinery and Equipment	5 -15
Furniture and Fittings	5-10
Motor Vehicles	3-10
Computer Hardware	3-5
Computer Software	1-5

OFFICE OF THE AUDITOR
GENERAL Notes to the Financial
 Statements For the year ended March 31,
 2020

(Expressed in Barbados Dollars)

4. Plant and Equipment and Furniture

	Property & Plant	Machinery & Equipment	Furniture & Fittings	Computer Software	Vehicles	Total
	\$	\$	\$	\$	\$	\$
<u>Cost</u>						
At April 1, 2019	4,314	243,060	26,944	6,211	60,434	340,963
Additions	3,685	9,311	-		-	12,996
Disposals						
As at March 31, 2020	7,999	252,371	26,944	6,211	60,434	353,959

Accumulated Depreciation

At April 1, 2019	4,314	229,907	23,086	6,211	21,583	285,101
Charge for the year	614	7,969	2,685		8,633	19,901
Disposals						
As at March 31, 2020	4,928	237,876	25,771	6,211	30,216	305,002

Net Book Value

As at March 31 2019		13,153	3,858		38,851	55,863
As at March 31 2020	3,071	14,496	1,173		30,217	48,955

5. Crown Payables

Crown payables as at March 31. 2020 was nil (2019 - \$123,570)

OFFICE OF THE AUDITOR GENERAL

Notes to the Financial Statements For the year ended March 31, 2020

(Expressed in Barbados Dollars)

6. Capital Contribution

Capital contribution at March 31 2020 is as follows:

	2020	2019
	\$	\$
Total capital contributions	340,963	330,378
Amount amortised	(285,100)	(267,424)
	<hr/>	<hr/>
Amount unamortised at beginning of year	55,863	62,954
Contribution for the year	12,996	10,585
Amortisation for the year	(19,902)	(17,676)
	<hr/>	<hr/>
Amount unamortised at end of year	48,957	55,863
	<hr/>	<hr/>
Total capital contributions	353,959	340,963
Amount amortised	(305,002)	(285,100)
	<hr/>	<hr/>
Amount unamortised at end of year	48,957	55,863
	<hr/>	<hr/>

	Approved Budget	Actual
	2020	2020
751 Property and Plant	3,685	3,685
752 Machinery & Equipment	9,315	9,311
753 Furniture & Fittings		
755 Computer Software		
756 Vehicles		
	<hr/>	<hr/>
Total Capital Contribution	13,000	12,996
	<hr/>	<hr/>