

**BARBADOS
NATIONAL INSURANCE BOARD**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND FOR THE YEARS
2006 - 2009**

BARBADOS NATIONAL INSURANCE BOARD



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND FOR THE YEAR ENDED
DECEMBER 31ST, 2006**

SEVERANCE FUND

Index to the Financial Statements
For the Year ended December 31, 2006

	Page
Auditor General's Report "	1a
Balance Sheet	1
Statement of Income and Expenditure and Fund Reserves	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 5



**AUDITOR GENERAL'S OFFICE
BARBADOS**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

I have audited the accompanying financial statements of the Severance Fund which comprise the balance sheet as at December 31, 2006, the statement of income and expenditure and fund reserves and cash flows for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The nature of the Department's system of receipting and recording contributions did not allow for adequate audit verification, I was therefore unable to assess the reasonableness of contributions reported in the financial statements.

Opinion

In my opinion, except for the matter mentioned in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Severance Fund as at December 31, 2006, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

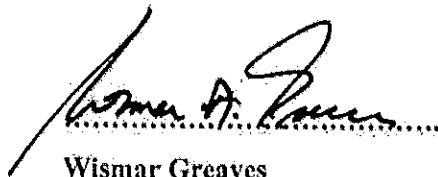
L. E. Trotman
L. E. TROTMAN
Auditor General

2016-06-15

SEVERANCE FUND

Balance Sheet as at
December 31, 2006

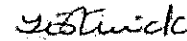
	Notes	2006	2005
Current Assets:			
Cash and bank balances		600,551	10,761,005
Interest receivable	3(a)	816,906	390,196
Other receivables	3(b)	<u>3,826,221</u>	<u>1,998,053</u>
Total Current Assets		<u>5,243,678</u>	<u>13,149,254</u>
Investments	4	<u>86,561,425</u>	<u>69,109,736</u>
Total Assets		<u>91,805,103</u>	<u>82,258,990</u>
Current liabilities:			
Other payables		<u>23,202</u>	<u>155,964</u>
Total current liabilities		<u>23,202</u>	<u>155,964</u>
Fund reserve		<u>91,781,901</u>	<u>82,103,026</u>
		<u>91,805,103</u>	<u>82,258,990</u>



Wismar Greaves
Deputy Chairman,
National Insurance Board



Ian Carrington
Director,
National Insurance Office



Janice Estwick
Financial Controller (Ag.),
National Insurance Office

SEVERANCE FUND**Statement of Income and Expenditure and Fund Reserves
year ended December 31, 2006**

	Notes	2006	2005
Income			
Contributions		8,688,204	8,185,343
Investment Income		4,352,995	3,263,753
Repayments by Employers	2(b)(ii)	<u>1,092,460</u>	<u>3,868,627</u>
		<u>14,133,659</u>	<u>15,317,723</u>
Expenses			
Rebates	2(b)(iv)	2,792,238	4,074,874
Employer Payments	2(b)(v)	1,031,005	4,027,129
Administration expenditure		<u>631,541</u>	<u>597,894</u>
		<u>4,454,784</u>	<u>8,699,897</u>
Excess of income over expenditure		9,678,875	6,617,825
Fund Reserve at January 1		<u>82,103,026</u>	<u>75,485,201</u>
Fund Reserve at December 31		<u>91,781,901</u>	<u>82,103,026</u>

SEVERANCE FUND**Statement of Cash Flows
year ended 31 December, 2006**

	Notes	2006	2005
Operating activities:			
Excess of income over expenditure		9,678,875	6,617,825
Items not affecting cash:			
(Increase) Decrease in receivables		(2,254,878)	1,000,821
(Decrease) increase in payables		<u>(132,762)</u>	<u>155,964</u>
Cash generated from operating activities		<u>7,291,235</u>	<u>7,774,610</u>
Investing Activities:			
Cash used in investing activities		<u>(17,451,689)</u>	<u>(9,775,083)</u>
Decrease in cash		(10,160,454)	(2,000,473)
Cash at January 1, 2006		<u>10,761,005</u>	<u>12,761,478</u>
Cash at December 31, 2006		<u>600,551</u>	<u>10,761,005</u>

Notes to Financial Statements

1. Establishment and purpose of Fund

The Severance Fund was established by the Severance Payments Act Cap. 355A.

The objective of the Fund is to make severance payments to workers properly severed under the Act, in cases where the employers refuse, or are unable to pay because of insolvency; and to pay rebates to employers who have made severance payments to former employees in compliance with the Act.

2. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

(b) Recognition of income and expenses

1. Contributions are recognized as revenue at the time of receipt by the National Insurance Fund on behalf of the Severance Fund. Contributions are reported net of the refunds made during the period.

	2006	2005
	\$	\$
Contributions	8,692,575	8,197,421
Refunds	<u>(4,371)</u>	<u>(12,078)</u>
Net Contributions	<u>8,688,204</u>	<u>8,185,343</u>

2. Repayments by employers are recognized as revenue at the time of receipt by the National Insurance Fund on behalf of the Severance Fund.

3. Investment income is recognized on the accrual basis.

4. Rebates are recognized in the year of payment. Rebates are paid to employers at the rate of 25% of the severance payments made.

5. Employer payments are recognized in the year of payment. Employer payments are made to severed workers by the Severance Fund under Section 31 of the Severance Payments Act as explained in Note 1. The amounts paid are recoverable from the employers.

6. Administration expenses are recognized on the accrual basis.

(c) Investments

Investments are recorded at cost.

(d) Comparative figures

The financial statements for 2005 conform to the current year's presentation.

3. **Receivables:**

- (a) This represents accrued interest on investments.
 (b) Other receivables represent contributions and other amounts due to the Severance Fund from the National Insurance Fund.

4. The Fund's investments were made up as follows:

	2006		2005	
	%	\$	%	\$
Debentures	23.45	20,300,000	29.37	20,300,000
Treasury Notes	18.71	16,200,000	23.44	16,200,000
Treasury Bills	2.84	2,460,110	7.13	4,928,500
Bonds	.59	512,603	1.01	692,523
Term Deposits	<u>54.40</u>	<u>47,088,713</u>	<u>39.05</u>	<u>26,988,713</u>
	<u>100.0</u>	<u>86,561,425</u>	<u>100.0</u>	<u>69,109,736</u>

**BARBADOS
NATIONAL INSURANCE BOARD**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND FOR THE YEAR ENDED
DECEMBER 31ST, 2007**

SEVERANCE FUND

Index to the Financial Statements
For the Year ended December 31, 2007

	Page
Auditor General's Report	1a
Balance Sheet	1
Statement of Income and Expenditure and Fund Reserves	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 5



**AUDITOR GENERAL'S OFFICE
BARBADOS**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

I have audited the accompanying financial statements of the Severance Fund which comprise the balance sheet as at December 31, 2007, the statement of income and expenditure and fund reserves and cash flows for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

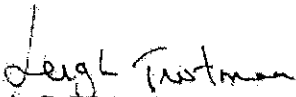
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The nature of the Department's system of receipting and recording contributions did not allow for adequate audit verification, I was therefore unable to assess the reasonableness of contributions reported in the financial statements.

Opinion

In my opinion, except for the matter mentioned in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Severance Fund as at December 31, 2007, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

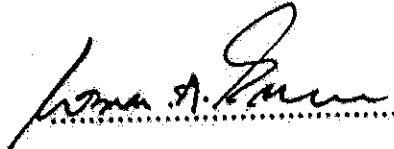

L. E. TROTMAN
Auditor General

2016-06-15

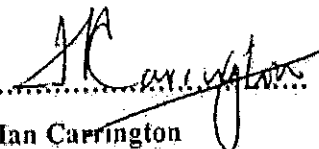
SEVERANCE FUND

Balance Sheet as at
December 31, 2007


	Notes	2007	2006
Current Assets:			
Cash and bank balances		2,254,680	600,551
Interest receivable	3(a)	1,139,081	816,906
Other receivables	3(b)	2,879,658	3,826,220
Short-term investments	4(a)	<u>52,377,597</u>	<u>49,548,823</u>
Total Current Assets		<u>58,651,016</u>	<u>54,792,500</u>
Other Assets			
Long-term investments	4(b)	40,832,681	37,012,603
Total Assets		<u>99,483,697</u>	<u>91,805,103</u>
Current liabilities:			
Other payables		<u>503,520</u>	<u>23,202</u>
Total current liabilities		<u>503,520</u>	<u>23,202</u>
Fund reserve		<u>98,980,177</u>	<u>91,781,901</u>
		<u>99,483,697</u>	<u>91,805,103</u>



 Wismar Greaves
 Deputy Chairman,
 National Insurance Board



 Ian Carrington
 Director,
 National Insurance Office



 Janice Estvick
 Financial Controller (Ag.),
 National Insurance Office

SEVERANCE FUND

Statement of Income and Expenditure and Fund Reserves
year ended December 31, 2007

	Notes	2007	2006
Income			
Contributions		9,199,439	8,688,204
Investment Income		5,549,764	4,352,995
Repayments by Employers	2(b)(ii)	<u>756,151</u>	<u>1,092,460</u>
		<u>15,505,354</u>	<u>14,133,659</u>
Expenses			
Rebates	2(b)(iv)	5,332,425	2,792,238
Employer Payments	2(b)(v)	2,347,508	1,031,005
Administration expenditure		<u>627,145</u>	<u>631,541</u>
		<u>8,307,078</u>	<u>4,454,784</u>
Excess of income over expenditure		7,198,276	9,678,875
Fund Reserve at January 1		<u>91,781,901</u>	<u>82,103,026</u>
Fund Reserve at December 31		<u>98,980,177</u>	<u>91,781,901</u>

SEVERANCE FUND

Statement of Cash Flows
year ended 31 December, 2007

	Notes	2007	2006
Operating activities:			
Excess of income over expenditure		7,198,276	9,678,875
Items not affecting cash:			
Decrease (Increase) in receivables		624,388	(2,254,878)
Increase (Decrease) in payables		<u>480,318</u>	<u>(132,762)</u>
Cash generated from operating activities		<u>8,302,982</u>	<u>7,291,235</u>
Investing Activities:			
Cash used in investing activities		<u>(6,648,853)</u>	<u>(17,451,689)</u>
Increase (Decrease) in cash		1,654,129	(10,160,454)
Cash at January 1, 2007		<u>600,551</u>	<u>10,761,005</u>
Cash at December 31, 2007		<u>2,254,680</u>	<u>600,551</u>

Notes to Financial Statements

1. Establishment and purpose of Fund

The Severance Fund was established by the Severance Payments Act Cap. 355A.

The objective of the Fund is to make severance payments to workers properly severed under the Act, in cases where the employers refuse, or are unable to pay because of insolvency; and to pay rebates to employers who have made severance payments to former employees in compliance with the Act.

2. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

(b) Recognition of income and expenses

1. Contributions are recognized as revenue at the time of receipt by the National Insurance Fund on behalf of the Severance Fund. Contributions are reported net of the refunds made during the period.

	2007	2006
	\$	\$
Contributions	9,206,244	8,692,575
Refunds	<u>(6,805)</u>	<u>(4,371)</u>
Net Contributions	<u>9,199,439</u>	<u>8,688,204</u>

2. Repayments by employers are recognized as revenue at the time of receipt by the National Insurance Fund on behalf of the Severance Fund.
3. Investment income is recognized on the accrual basis.
4. Rebates are recognized in the year of payment. Rebates are paid to employers at the rate of 25% of the severance payments made.
5. Employer payments are recognized in the year of payment. Employer payments are made to severed workers by the Severance Fund under Section 31 of the Severance Payments Act as explained in Note 1. The amounts paid are recoverable from the employers.
6. Administration expenses are recognized on the accrual basis.

(c) Investments

Investments are recorded at cost.

(d) Comparative figures

The financial statements for 2006 conform to the current year's presentation.

3. **Receivables:**

- (a) This represents accrued interest on investments.
 (b) Other receivables represent contributions and other amounts due to the Severance Fund from the National Insurance Fund.

4. The Fund's investments were made up as follows:

	2007		2006	
	%	\$	%	\$
Debentures	26.07	24,300,000	23.45	20,300,000
Treasury Notes	17.38	16,200,000	18.71	16,200,000
Treasury Bills	2.01	1,873,540	2.84	2,460,110
Bonds	.36	332,681	.59	512,603
Term Deposits	<u>54.18</u>	<u>50,504,057</u>	<u>54.40</u>	<u>47,088,713</u>
	<u>100.0</u>	<u>93,210,278</u>	<u>100.0</u>	<u>86,561,425</u>

BARBADOS NATIONAL INSURANCE BOARD



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND FOR THE YEAR ENDED
DECEMBER 31ST, 2008**

SEVERANCE FUND

Index to the Financial Statements
For the Year ended December 31, 2008

	Page
Auditor General's Report	1a
Balance Sheet	1
Statement of Income and Expenditure and Fund Reserves	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 5



**AUDITOR GENERAL'S OFFICE
BARBADOS**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

I have audited the accompanying financial statements of the Severance Fund which comprise the balance sheet as at December 31, 2008, the statement of income and expenditure and fund reserves and cash flows for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The nature of the Department's system of receipting and recording contributions did not allow for adequate audit verification, I was therefore unable to assess the reasonableness of contributions reported in the financial statements.

Opinion

In my opinion, except for the matter mentioned in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Severance Fund as at December 31, 2008, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

L. E. Trotman
L. E. TROTMAN
Auditor General

2016-06-15

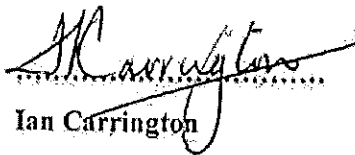
SEVERANCE FUND

Balance Sheet as at
December 31, 2008

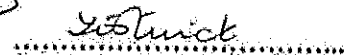
	Notes	2008	2007
Current Assets:			
Cash and bank balances		2,833,989	2,254,680
Interest receivable	3(a)	1,820,216	1,139,081
Other receivables	3(b)	9,007,941	2,879,658
Employer Payments Receivable	3(c)	1,740,026	1,739,756
Short-term investments	4(a)	<u>40,273,750</u>	<u>52,377,597</u>
Total Current Assets		<u>55,675,922</u>	<u>60,390,772</u>
Other Assets			
Long-term investments	4(b)	<u>57,069,115</u>	<u>40,832,681</u>
Total Assets		<u>112,745,037</u>	<u>101,223,453</u>
Current liabilities:			
Other payables		<u>133,542</u>	<u>503,520</u>
Total current liabilities		<u>133,542</u>	<u>503,520</u>
Fund reserve		<u>112,611,495</u>	<u>100,719,933</u>
		<u>112,745,037</u>	<u>101,223,453</u>



Wismar Greaves
Deputy Chairman,
National Insurance Board



Ian Carrington
Director,
National Insurance Office



Janice Estwick
Financial Controller (Ag.),
National Insurance Office

SEVERANCE FUND

Statement of Income and Expenditure and Fund Reserves
year ended December 31, 2008

	Notes	2008	2007
Income			
Contributions		9,918,141	9,199,439
Investment Income		<u>5,721,072</u>	<u>5,549,764</u>
		<u>15,639,213</u>	<u>14,749,203</u>
Expenses			
Rebates	2(b)(iii)	2,420,495	5,332,425
Administration expenditure		585,211	627,145
Bad debt expense		<u>741,945</u>	<u>1,643,255</u>
		<u>3,747,651</u>	<u>7,602,825</u>
Excess of income over expenditure		11,891,562	7,146,378
Fund Reserve at January 1		<u>100,719,933</u>	<u>93,573,554</u>
Fund Reserve at December 31		<u>112,611,495</u>	<u>100,719,933</u>

SEVERANCE FUND**Statement of Cash Flows
year ended 31 December, 2008**

	Notes	2008	2007
Operating activities:			
Excess of income over expenditure		11,891,562	7,146,378
Items not affecting cash:			
(Increase) Decrease in receivables		(6,809,688)	676,286
(Decrease) Increase in payables		<u>(369,978)</u>	<u>480,318</u>
Cash generated from operating activities		<u>4,711,896</u>	<u>8,302,982</u>
Investing Activities:			
Cash used in investing activities		<u>(4,132,587)</u>	<u>(6,648,853)</u>
Increase in cash		579,309	1,654,129
Cash at January 1, 2008		<u>2,254,680</u>	<u>600,551</u>
Cash at December 31, 2008		<u>2,833,989</u>	<u>2,254,680</u>

Notes to Financial Statements

1. Establishment and purpose of Fund

The Severance Fund was established by the Severance Payments Act Cap. 355A.

The objective of the Fund is to make severance payments to workers properly severed under the Act, in cases where the employers refuse, or are unable to pay because of insolvency; and to pay rebates to employers who have made severance payments to former employees in compliance with the Act.

2. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

(b) Recognition of income and expenses

- i. Contributions are recognized as revenue at the time of receipt by the National Insurance Fund on behalf of the Severance Fund. Contributions are reported net of the refunds made during the period.

	2008	2007
	\$	\$
— Contributions	9,928,795	9,206,244
Refunds	<u>(10,654)</u>	<u>(6,805)</u>
Net Contributions	<u>9,918,141</u>	<u>9,199,439</u>

- ii. Investment income is recognized on the accrual basis.
- iii. Rebates are recognized in the year of payment. Rebates are paid to employers at the rate of 25% of the severance payments made.
- iv. Administration expenses are recognized on the accrual basis.

(c) Investments

Investments are recorded at cost.

(d) Comparative figures

The financial statements for 2007 conform to the current year's presentation.

3. Receivables:

- (a) This represents accrued interest on investments.
- (b) Other receivables represent contributions and other amounts due to the Severance Fund from the National Insurance Fund.

(c) Employers' payments receivable represents amounts paid by the Severance Fund directly to severed workers under Section 31 of the Severance Payments Act. The amounts paid are recoverable from the employers and are presented net of the provision for doubtful debts:

	<u>2008</u>	<u>2007</u>
Receivable re: Employers' Payments	29,853,819	29,111,604
Less: Allowance for doubtful Debt	(28,113,793)	(27,371,848)
	<u>1,740,026</u>	<u>1,739,756</u>

4. The Fund's investments were made up as follows:

	2008		2007	
	%	\$	%	\$
Debentures	41.49	40,389,000	26.07	24,300,000
Treasury Notes	15.92	15,495,000	17.38	16,200,000
Treasury Bills	1.94	1,891,250	2.01	1,873,540
Bonds	1.22	1,185,115	.36	332,681
Term Deposits	<u>39.43</u>	<u>38,382,500</u>	<u>54.18</u>	<u>50,504,057</u>
	<u>100.0</u>	<u>97,342,865</u>	<u>100.0</u>	<u>93,210,278</u>

BARBADOS NATIONAL INSURANCE BOARD



**REPORT ON THE AUDIT OF THE ACCOUNTS OF
THE SEVERANCE FUND FOR THE YEAR ENDED
DECEMBER 31ST, 2009**

SEVERANCE FUND

Index to the Financial Statements
For the Year ended December 31, 2009

	Page
Auditor General's Report	1a
Balance Sheet	1
Statement of Income and Expenditure and Fund Reserves	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 5



AUDITOR GENERAL'S OFFICE BARBADOS



REPORT ON THE AUDIT OF THE ACCOUNTS OF THE SEVERANCE FUND FOR THE YEAR ENDED DECEMBER 31, 2009

I have audited the accompanying financial statements of the Severance Fund which comprise the balance sheet as at December 31, 2009, the statement of income and expenditure and fund reserves and cash flows for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

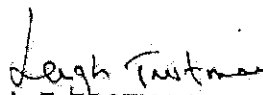
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The nature of the Department's system of receipting and recording contributions did not allow for adequate audit verification, I was therefore unable to assess the reasonableness of contributions reported in the financial statements.

Opinion

In my opinion, except for the matter mentioned in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Severance Fund as at December 31, 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


L. E. TROTMAN
Auditor General

2016-06-15

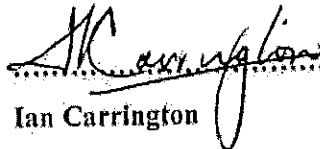
SEVERANCE FUND

Balance Sheet as at
December 31, 2009

	Notes	2009	2008
Current Assets:			
Cash and bank balances		1,549,239	2,833,989
Interest receivable	3(a)	1,336,338	1,820,216
Other receivables	3(b)	6,664,311	9,007,941
Employer Payments Receivable	3(c)	<u>1,684,308</u>	<u>1,740,026</u>
Total Current Assets		<u>11,234,196</u>	<u>15,402,172</u>
Investments	4	<u>113,198,642</u>	<u>97,342,865</u>
Total Assets		<u>124,432,838</u>	<u>112,745,037</u>
Current liabilities:			
Other payables		<u>546,042</u>	<u>133,542</u>
Total current liabilities		<u>546,042</u>	<u>133,542</u>
Fund reserve		<u>123,886,796</u>	<u>112,611,495</u>
		<u>124,432,838</u>	<u>112,745,037</u>



Wismar Greaves
Deputy Chairman,
National Insurance Board



Ian Carrington
Director,
National Insurance Office



Janice Estwick
Financial Controller (Ag.),
National Insurance Office

SEVERANCE FUND

Statement of Income and Expenditure and Fund Reserves
year ended December 31, 2009

	Notes	2009	2008
Income			
Contributions		9,735,047	9,918,141
Investment Income		<u>6,157,022</u>	<u>5,721,072</u>
		<u>15,892,069</u>	<u>15,639,213</u>
Expenses			
Rebates	2(b)(iii)	2,298,030	2,420,495
Administration expenditure		676,778	585,211
Bad debt expense		<u>1,641,960</u>	<u>1,741,945</u>
		<u>4,616,768</u>	<u>3,747,351</u>
Excess of income over expenditure		11,275,301	11,891,562
Fund Reserve at January 1		<u>112,611,495</u>	<u>100,719,933</u>
Fund Reserve at December 31		<u>123,886,796</u>	<u>112,611,495</u>

SEVERANCE FUND**Statement of Cash Flows
year ended 31 December, 2009**

	Notes	2009	2008
Operating activities:			
Excess of income over expenditure		11,275,301	11,891,562
Items not affecting cash:			
Decrease (Increase) in receivables		2,883,226	(6,809,688)
Increase (Decrease) in payables		<u>412,500</u>	<u>(369,978)</u>
Cash generated from operating activities		<u>14,571,027</u>	<u>4,711,896</u>
Investing Activities:			
Cash used in investing activities		<u>(15,855,777)</u>	<u>(4,132,587)</u>
(Decrease) Increase in cash		(1,284,750)	579,309
Cash at January 1, 2009		<u>2,833,989</u>	<u>2,254,680</u>
Cash at December 31, 2009		<u>1,549,239</u>	<u>2,833,989</u>

Notes to Financial Statements

1. Establishment and purpose of Fund

The Severance Fund was established by the Severance Payments Act Cap. 355A.

The objective of the Fund is to make severance payments to workers properly severed under the Act, in cases where the employers refuse, or are unable to pay because of insolvency; and to pay rebates to employers who have made severance payments to former employees in compliance with the Act.

2. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

(b) Recognition of income and expenses

- i. Contributions are recognized as revenue at the time of receipt by the National Insurance Fund on behalf of the Severance Fund. Contributions are reported net of the refunds made during the period.

	2009	2008
	\$	\$
Contributions	9,753,563	9,928,795
Refunds	<u>(18,516)</u>	<u>(10,654)</u>
Net Contributions	<u>9,735,047</u>	<u>9,918,141</u>

- ii. Investment income is recognized on the accrual basis.
- iii. Rebates are recognized in the year of payment. Rebates are paid to employers at the rate of 25% of the severance payments made.
- iv. Administration expenses are recognized on the accrual basis.

(c) Investments

Investments are recorded at cost.

(d) Comparative figures

The financial statements for 2008 conform to the current year's presentation.

3. Receivables:

- (a) This represents accrued interest on investments.
- (b) Other receivables represent contributions and other amounts due to the Severance Fund from the National Insurance Fund.

- (c) Employers' payments receivable represents amounts paid by the Severance Fund directly to severed workers under Section 31 of the Severance Payments Act. The amounts paid are recoverable from the employers and are presented net of the provision for doubtful debts:

	<u>2009</u>	<u>2008</u>
Receivable re: Employers' Payments	31,440,361	29,853,819
Less: Allowance for doubtful Debt	(29,756,053)	(28,113,793)
	<u>1,684,308</u>	<u>1,740,026</u>

4. The Fund's investments were made up as follows:

	2009		2008	
	%	\$	%	\$
Debentures	40.01	45,389,000	41.49	40,389,000
Treasury Notes	27.20	30,795,000	15.92	15,495,000
Treasury Bills	6.51	7,375,101	1.94	1,891,250
Bonds	1.05	1,189,541	1.22	1,185,115
Term Deposits	<u>25.23</u>	<u>28,450,000</u>	<u>39.43</u>	<u>38,382,500</u>
	<u>100.0</u>	<u>113,198,642</u>	<u>100.0</u>	<u>97,342,865</u>