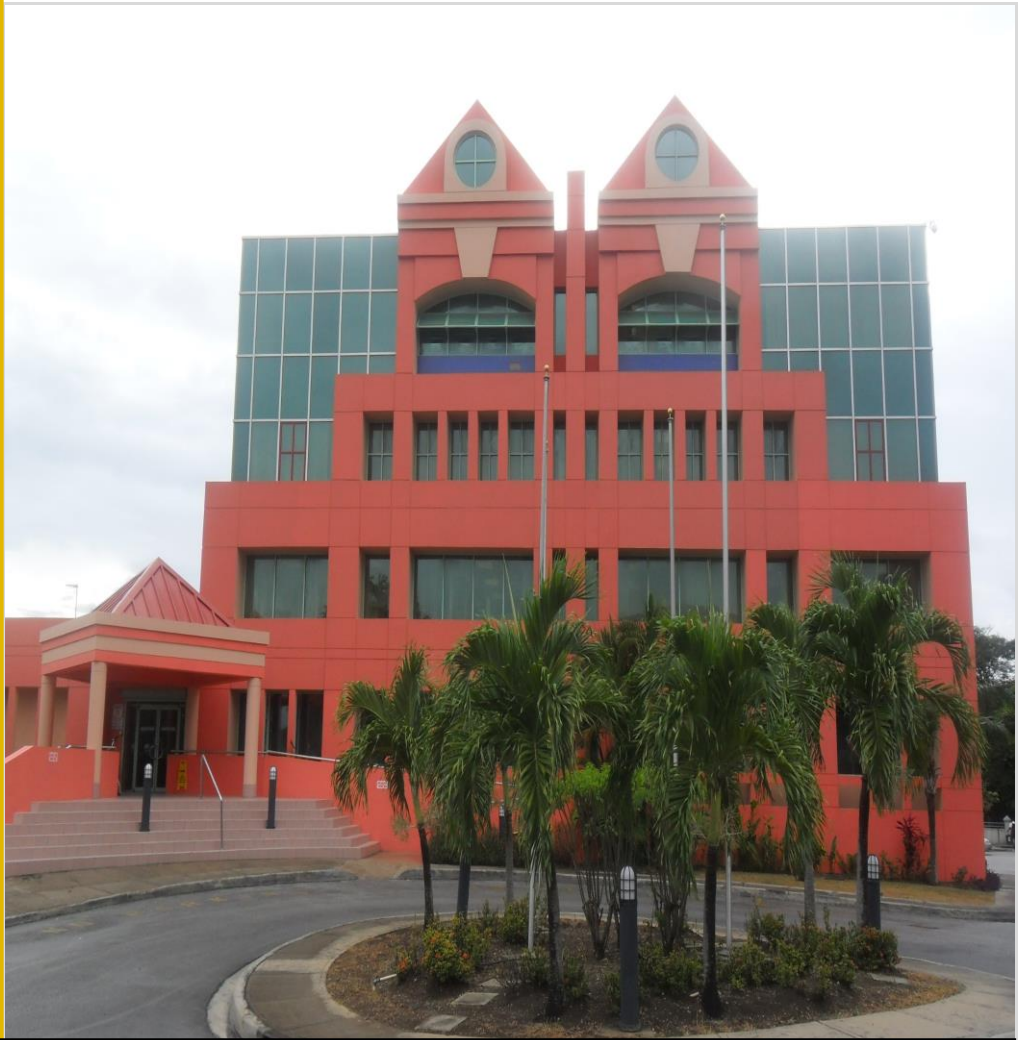




Barbados Audit Office

Report
of the
Auditor General
for the year

2013



Strengthening public accountability by providing fair and independent reports

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



Report
of the
Auditor General
for the year
2013



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



BARBADOS

Tel: (246) 426-2537
Fax: (246) 228-2731
E-mail: audit@bao.gov.bb

March 31, 2014

His Honour The Speaker
The House of Assembly
Parliament Building
BRIDGETOWN

Sir,

In accordance with Section 113 (3) of the Constitution of Barbados and Section 38 (5) of the Financial Management and Audit Act, 2007 - 11, I forward for laying before the House of Assembly my Report of the examination of the accounts of the Ministries and Departments of Government, and of other financial statements and accounts required to be audited by me in respect of the financial year ended March 31, 2013.

A copy of the Report is transmitted to the Senate for information, in accordance with Section 38 (6) of the above mentioned Act.

Yours faithfully,

Leigh E. Trotman, CMA
Auditor General

Table of Contents

INTRODUCTORY COMMENTS	1
CHAPTER 1	3
GENERAL ISSUES	3
INTRODUCTION.....	3
PENSIONS	4
INTERNAL AUDIT.....	5
STAFFING AT BARBADOS AUDIT OFFICE.....	6
ESTIMATES OF EXPENDITURE FOR THE AUDIT OFFICE	7
PUBLIC ACCOUNTS COMMITTEE.....	7
BANK RECONCILIATIONS.....	8
GOVERNMENT LIABILITIES	9
RECRUITMENT IN THE PUBLIC SERVICE.....	9
ADVANCES TO STATE AGENCIES.....	10
LATE PAYMENT OF SALARIES.....	10
DELAYS IN THE AUDIT OF ACCOUNTS OF GOVERNMENT AGENCIES	11
ATTENDANCE AT CONFERENCES AND WORKSHOPS	12
CHAPTER 2.....	16
ANALYSIS OF GOVERNMENT FINANCIAL STATEMENTS.....	16
AUDIT MANDATE AND OBJECTIVE	16
METHODOLOGY	17
RESPONSIBILITIES OF THE ACCOUNTANT GENERAL.....	17
AUDITOR RESPONSIBILITY	18
SCOPE OF GOVERNMENT'S FINANCIAL STATEMENTS	19
SUMMARY OF FINANCIAL INFORMATION	19
CONTINGENT LIABILITIES.....	26
LOANS RECEIVABLE BY PRIVATE ENTITIES.....	32
CAPITAL ASSETS.....	34
OTHER CAPITAL ASSETS.....	35
GRAPHICAL PRESENTATION OF GOVERNMENT EXPENDITURE AND REVENUE	46
CHAPTER 3.....	50
GENERAL AUDIT CONCERNS AND OBSERVATIONS	50
AUDIT MANDATE.....	50
AUDIT PURPOSE AND SCOPE.....	50
GENERAL ISSUES	51
FIXED ASSETS REGISTER.....	52
RESPONSE TO AUDIT QUERIES.....	52
INLAND REVENUE DEPARTMENT	53
LAND TAX DEPARTMENT	58
VALUE ADDED TAX DIVISION	59
BARBADOS LICENSING AUTHORITY.....	62
POST OFFICE	65
PRIME MINISTER'S OFFICE.....	67
DIVISION OF ENERGY AND TELECOMMUNICATIONS	67
BARBADOS DEFENCE FORCE	69
MINISTRY OF EDUCATION AND HUMAN RESOURCE.....	70

DEVELOPMENT	70
MINISTRY OF HEALTH – PSYCHIATRIC HOSPITAL	71
MINISTRY OF TRANSPORT AND WORKS.....	73
NATIONAL ASSISTANCE BOARD	78
OFFICE OF THE OMBUDSMAN.....	79
MINISTRY OF SOCIAL CARE, CONSTITUENCY EMPOWERMENT AND COMMUNITY DEVELOPMENT	80
WELFARE DEPARTMENT	81
MINISTRY OF ENVIRONMENT AND DRAINAGE	82
NATURAL HERITAGE DEPARTMENT	82
REGISTRATION DEPARTMENT	84
CHAPTER 4.....	87
AUDIT OF STATUTORY BOARDS, GOVERNMENT COMPANIES AND CONTROLLED ENTITIES ..	87
AUDITS OF STATUTORY BOARDS AND OTHER AGENCIES CONDUCTED BY THE AUDIT OFFICE	87
AUDITS CONDUCTED BY PRIVATE SECTOR AUDITORS	97
<i>Statutory Boards and Government Companies</i>	97
<i>Audits of Secondary Schools</i>	109
GENERAL OBSERVATIONS	113
CHAPTER 5.....	115
SPECIAL AUDIT ON THE LAND ACQUISITION PROCESS IN BARBADOS.....	115
EXECUTIVE SUMMARY	115
INTRODUCTION.....	117
BACKGROUND	118
AUDIT SCOPE	120
UTILIZATION OF PRIVATE PROPERTY BY GOVERNMENT AGENCIES IN CONTRAVENTION OF THE LAND ACQUISITION ACT.....	121
FACTORS DELAYING THE LAND ACQUISITION PROCESS AND ACCOUNTING FOR COMPENSATION	128
CHAPTER 6.....	137
SPECIAL AUDIT REPORT ON THE ILLEGAL OCCUPATION OF CROWN LANDS	137
EXECUTIVE SUMMARY	137
INTRODUCTION.....	141
SQUATTING ON CROWN LANDS	142
IMPACT AND CONSEQUENCES OF THE ILLEGAL SQUATTING	145
FINANCIAL COST TO GOVERNMENT.....	147
EXTENT OF ENFORCEMENT AND OTHER MEASURES	148



Introductory Comments

I am pleased to submit my Annual Report for the year 2013. This report is a compilation of the more significant findings (issues) resulting from the audit work conducted on state agencies by the Office during 2013. The information in the report is provided to Members of Parliament for their consideration. The report includes recommendations which are intended to improve the overall level of accountability within Government and to help ensure a greater level of stewardship of public funds.

The Office continues to be challenged in having inadequate staff levels and this has adversely impacted on my ability to provide the level of audit coverage of ministries, departments and state agencies as required by the Constitution. Some agencies were not audited and this can have serious repercussions since the audit of accounts is a part of the accountability cycle which provides Government and the citizens of Barbados with the assurance that the funds of the state are collected, spent and reported in accordance with Government regulations. There is also a buildup of arrears of accounts to be audited which becomes difficult to erase. Auditing accounts after several years have passed, affects the relevance and impact of audit findings, as circumstances could have changed considerably from the time the audit was conducted.

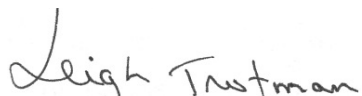
The Office had some difficulty in recruiting trained auditors, and had submitted a proposal to the Ministry of the Civil Service that audit assistants should be recruited and trained to fill the vacant posts of auditors. The proposal was accepted and the posts have been created and advertised, but there is some doubt as to if and when they will be filled, given the current economic crisis and Government's desire to reduce staff levels across the Public Service. I am confident that with the cooperation of the Personnel Administration Division and the Ministries of the Civil Service and Finance, the matter regarding adequate resources can be satisfactorily resolved.



The Country's financial position continues to be an area of concern, with the accounts of the Government showing a deficit of over \$800 million in 2013. This is twice what was reported in the previous year, and has resulted in a substantial increase in public debt. There is general agreement that such large deficits are unsustainable and that Government must make a concerted effort to correct this situation. This is one of the most significant issues facing the country and is commented on further in Chapter 2 of this Report. I look forward to working with Permanent Secretaries, Heads of Departments and the Public Accounts Committee of Parliament in addressing the issues highlighted in the report.

Acknowledgements

I would like to thank members of staff for their support and commitment to their tasks which were essential for the delivery of this report to Parliament. I would also like to thank the personnel from ministries, departments and other state agencies for their cooperation over the course of the year, and I look forward to continued cooperation as we work together for the betterment of the country.


Leigh E. Trotman, CMA

Auditor General

March 31, 2014



CHAPTER 1

General Issues

Introduction

The 2013 Annual Report of the Auditor General to the House of Assembly is issued in accordance with Section 38 (1) of the Financial Management and Audit Act, 2007-11 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** Section 36 (1) C of the Act requires the Auditor General to prepare and deliver an audit opinion on the financial statements that have been audited. In this regard these financial statements represent the activities of Ministries and Departments. The activities of other state agencies such as statutory boards and companies are reported separately.
- 1.3** The Government of Barbados has adopted the International Public Sector Accounting Standards (IPSAS). These standards require a full consolidation of all government enterprises except those which are not reliant on the state for assistance, regrettably the consolidation has not yet occurred and as a result the figures shown in the financial statements presented by the Treasury only show a part of the activities of Government. It is important for Government to have a full view of its financial position and consolidation of its accounts would provide the information to allow for an adequate assessment.



- 1.4 I have been reporting in previous reports on issues such as a lack of reliable information to verify items on the balance sheet; the reporting of revenue on cash rather than an accrual basis of accounting and the lack of adherence to the International Public Sector Accounting Standards. These issues persisted in 2013 and influenced the audit opinion issued by the Office.
- 1.5 This is unfortunate at a time when it is critical for Government to have an accurate picture of its finances given the economic challenges it is currently facing.

Pensions

- 1.6 Pension expenses were recorded at \$269.7 million for the financial year and this was \$34 million more than that in the previous year. I have recommended that Government carry out an actuarial review of its pension obligation for past and current employees as this is essential for understanding the size of the outstanding liability. In addition, this unfunded pension liability must be included as a liability in the financial statements.
- 1.7 In previous reports I drew to Parliament's attention that a number of persons who worked in state agencies were being paid pension benefits to which they were not entitled. In this regard the National Conservation Commission has indicated that this practice has been halted effective September 1, 2013.
- 1.8 The practice has also been terminated at some other state agencies, however the National Assistance Board continues to overpay a large number of its pensioners.



Internal Audit

- 1.9** The Office examined the work of the Internal Audit Units established in various departments and was of the view that the effectiveness of these units could be enhanced. The work of the internal audit should include providing assurance that key controls in the department are functioning effectively, conducting reviews on areas of high risk within the organization and providing assurance on proposed controls over new activities. However, there was no evidence that all these activities were being conducted in accordance with internal audit standards.
- 1.10** In order for these units to effectively carry out these functions there needs to be an established vision for the role of Internal Audit, adequate job descriptions and support guides such as manuals and evidence that the work of the Unit is planned in such a manner to cover high risk areas facing the Department. There was no evidence that these guidelines were in place and being utilized in all of the established units.
- 1.11** It would also be useful for personnel in the internal audit units in ministries and departments to meet with the Audit Office and share information on planned audit activities as this could avoid duplication of audit work. The Audit Office is willing to work with Internal Audit Units in the departments in this regard.
- 1.12** In instructing Ministries and Departments, the Director of Finance and Economic Affairs directed that Internal Auditors should prepare reports summarizing their activities and all significant findings and recommendations made during each quarter. These reports are to be submitted to the Director and Accountant General and made available to the Auditor General. The Internal Audit Units have not been providing these reports as required.



- 1.13** Management of the Departments should review the role of the Internal Audit Units to ensure that its personnel have the training and capabilities to assist the department in meeting its objectives. The results of the work of the Units should be in the form of written reports, which should be made available to the stakeholders as outlined in the Instructions to Ministries and Departments.

Staffing at Barbados Audit Office

- 1.14** For a number of years the issue of the timely filling of posts for the Office has been reported on. I again have to report that the issue remains unresolved. There are seventy-six (76) posts assigned to the Office and only thirty-nine (39) are currently filled. In relation to the auditing staff only twenty-nine (29) of the sixty-five (65) posts are filled. An effort was made to fill some of the posts but it was not very successful as there were not enough suitable candidates to be appointed to the posts. I also see the issue of staffing the Office by the Personnel Administration as compromising the independence of the Audit Office which is the external auditor to the Government. The external auditor should not be reliant on an entity it audits for resources and should be given responsibility for the recruitment of its staff.
- 1.15** There are not many skilled auditors available, and the Ministry of the Civil Service has agreed to establish a number of Audit Assistant positions and these posts have been advertised. If the selection process is allowed to continue, it should assist the Office as these persons would be eligible to fill the Auditor positions after they have been suitably trained. The current staff levels are insufficient for the Office to carry out its statutory responsibilities, resulting in some ministries and departments not being



audited. This also at a time when the Office has received requests to conduct audits on some state agencies previously audited by firms in the private sector. Unfortunately the Office cannot take on any additional responsibility with the current staff levels.

Estimates of Expenditure for the Audit Office

1.16 In accordance with the Financial Management and Audit Act, Section 38, the Estimates of Expenditure for the Barbados Audit Office should be transmitted to the House of Assembly through the Public Accounts Committee who should ensure that the resources provided are adequate to fulfill the responsibilities of the Office. The budget is then submitted to the Ministry of Finance for inclusion in the estimates of expenditure of the Government.

1.17 For the 2014-2015 financial year the estimates were submitted to the Public Accounts Committee but there was no meeting to discuss the submission. The Ministry of Finance reduced the Office budget by 25% and I informed the Ministry that the cutbacks were unreasonable given that the Office had contracts for the audit of the National Insurance Fund and were given 7 temporary posts of Audit Assistant which it was hoping to fill urgently.

Public Accounts Committee

1.18 The Public Accounts Committee (PAC) is a joint committee of members of Parliament comprising members of the government, opposition and independent senators. One of its primary functions is to examine the reports of the Auditor General. In 2013 the examination of witnesses for a



number of agencies, namely the Customs and Excise Department, the National Housing Corporation and the Inland Revenue Department had commenced, but proceedings were suspended to resolve an apparent conflict between the Standing Orders which governs the conduct of Parliament and the Public Accounts Committee Act, 2003-12.

- 1.19** Section 10 (1) of the PAC Act requires the sittings to be public except where the Committee was of the view that issues being discussed related to a secret or confidential matter. On the other hand Section 61 of the Standing Orders, which sets out the guidelines for the conduct of Committees, requires that evidence taken before any select committee should not be published before the committee has presented its report to the House. The Committee therefore decided to refer the matter to Parliament for resolution. At the date of publication of this report the matter remained unresolved.

Bank Reconciliations

- 1.20** Bank reconciliations statements have not been prepared at key agencies such as the Treasury and Inland Revenue Department over the years. I have indicated to the management of these Departments that there needs to be urgent action taken on this matter. Reconciliation is a key control feature which can aid in the detection of fraud or error and should not be overlooked especially in an environment where issued cheques are not always accounted for. It is about time that Government hold those responsible accountable for their inaction.



Government Liabilities

- 1.21** One major area of concern relates to obtaining accurate information on the liabilities of the Government. The liabilities being reported by the Treasury do not give a comprehensive picture of the state of Government's indebtedness. There are liabilities in excess of \$180 million such as the Debt to the University of the West Indies and private sector companies which were not reported. In the absence of such information to policy makers and other stakeholders, decision making can be impaired.

Recruitment in the Public Service

- 1.22** The issue of recruitment in the Public Service is a challenging exercise, as Ministries/Departments have to wait for posts to be advertised, selection panels appointed, interviews conducted and letters of appointment issued. The process of appointment is time-consuming and there is an urgent need for reform in this area.
- 1.23** There seems to be no reason why ministries and departments could not be more involved in the recruitment process. The Public Service Commission could set the appropriate guidelines and ensure that there are complied with. In any event the final ratification lies with the Commission which can direct a review or rerun of the process if it does not meet the required standards.
- 1.24** The Cabinet of Barbados has made a decision that those state agencies which receive all or part of their income from the Consolidated Fund should seek the approval of the Ministry of the Civil Service for any increase in staff. This decision has however been ignored in several instances, and the Ministry of the Civil Service only becomes aware of the



increases in staff when a request is made by the agency to regularize the posts which would have been in existence for some time without approval. The checks and balances that Cabinet sought to introduce have therefore been undermined. Such action is supported through the absence of any sanctions and by the provision of budgetary support for these additional posts which were not approved by the Ministry of the Civil Service.

Advances to State Agencies

- 1.25** The Financial Management and Audit Act allows for loans to be made from the Treasury to state enterprises, however these advances should be approved by Parliament and the lending terms should be decided on by the Cabinet. A number of advances to state enterprises did not have the relevant loan agreements in place, nor were the loan amounts approved by Parliament. In addition, the agencies to which funds were purportedly advanced such as the Queen Elizabeth Hospital, the Transport Board and the National Housing Corporation are not in any position to service any loans and therefore these payments should be treated as transfers. This treatment would affect the Government's accounts in a number of ways, for example assets would be overstated and expenses understated. The correct treatment of these transfers would also increase the deficit by over \$137 million in the 2013-2014 financial year.

Late Payment of Salaries

- 1.26** Late payment of salaries to temporary officers and substitutes has been an ongoing problem in the Public Service. The factors leading to this situation include the large volume of requests to be processed by the Personnel Administration Division and the short periods of acting given to



officers which require new forms to be submitted in a relatively short period. Ministries and Departments also contribute to the delays by submitting requests late or often without all pertinent information. The net effect of these matters is the late payment of salaries and frustration and inconvenience to employees. The Commission and personnel in Ministries and Departments need to take certain steps for this situation to improve and these could include:

- The granting of acting assignments for periods longer than 3 months.
- The delegating of authority to permanent secretaries to recruit persons acting in posts for short periods.
- Simplifying the processing of requests for temporary appointments and acting assignments. This could be enhanced by the full computerization of the personnel records in Ministries and Departments and at the Personnel Administration Division.

Delays in the Audit of Accounts of Government Agencies

1.27 The accounts of each government agency should be audited annually and these audited financial statements submitted to Parliament. Generally, these audited statements should be submitted three months after the close of the financial year. These financial statements along with activity reports give Parliament information on the activities of the state agencies and some assurance of how public funds were spent.



1.28 There are a number of state agencies which are several years late in providing these reports to Parliament and indeed are falling further into arrears. This is an indication of the poor management of the accounting process and is also reflective of the quality of governance of these enterprises. Each state agency should be asked by the parent ministry to state reasons for the delays in the submission of the reports and should be instructed to provide a plan to bring them up to date at the earliest opportunity. Financial reports submitted several years after the event are of little use to decision makers and other stakeholders as the issues being reported might have been resolved or could have become worse.

Attendance at Conferences and Workshops

1.29 A number of Audit Officers attended local and regional conferences and workshops during the year. These were:

- (i) The Auditor General attended a workshop for heads of the public sector audit offices in the Caribbean region in Port-of-Spain, Trinidad and Tobago from March 18 – 21, 2013. The purpose of this workshop was to discuss how to collaborate to promote best audit practices in the region. The grouping which is referred to as the Caribbean Organization of Supreme Audit Institutions (CAROSAI) was also celebrating its 25th anniversary. A number of speakers spoke on the challenges facing audit offices in implementing the United Nations resolution requiring greater independence for public sector audit institutions and the implementation of the revised International Auditing Standards.

The Auditors General took a decision to undertake a cooperative performance audit of revenue collection agencies in their respective



territories in 2014. The audits will focus on how well state agencies are assessing and collecting taxes, duties and fees. The audit offices will share approaches and methods with each other in completing the assignment.

- (ii) Auditor I, Ms. Marsha Coppin attended a SEMCAR sponsored workshop on Internal Audit in Basseterre, St. Kitts during the period April 24 – 26, 2013. The purpose of the workshop was to raise awareness on the legal, methodological, and practical implications of building a strong and sustainable internal audit function in the Public Sector in the Caribbean region.
- (iii) Professional Auditor, Mrs. Vincia Thomas attended an Inter-American Development Bank (IDB) sponsored workshop in Miami, Florida during the period May 27 – 31, 2013. The workshop provided an understanding of the newly developed Performance Measurement Framework (PMF) for audit offices, and created a network of experts to conduct reviews on the performance of audit offices in the region. In this regard, the Barbados Audit Office has agreed to let a team of experts conduct an assessment of its work against international standards.
- (iv) Auditor General, Mr. Leigh Trotman attended a CReCER Conference in Cartagena, Columbia during the period July 31 – August 1, 2013. This annual event focuses on promoting sound financial management in both the private and public sector in Latin America and the Caribbean through the enhancement of accountability, and improvement in the quality of financial reporting and auditing.



Participants discussed several developments facing their profession, particularly the implementation of the revised International Public Sector Accounting Standards and Auditing Standards and the use of a performance measurement toolkit to assess the efficiency of audit offices. It was acknowledged that some of the countries in the region would be challenged due to the voluminous nature of the standards and a lack of expertise to guide their implementation.

It was however acknowledged that there were significant benefits to be gained from introducing the accounting standards including greater accountability in state enterprises, better identification of assets and liabilities and uniformity of accounting practices leading to transparency and stakeholder confidence.

1.30 In addition to this Chapter, this Report contains five (5) other chapters as follows:-

- (i) Chapter 2 contains the Auditors report and analysis of the Government's financial statements provided by the Treasury.
- (ii) Chapter 3 contains the results of the assessment of internal controls and compliance by Ministries and Departments with the Financial Rules and other government regulations and circulars.
- (iii) Chapter 4 consists of information on the audit of statutory boards and other state agencies including those conducted by private sector auditors.
- (iv) Chapter 5 contains a special audit report on the Land Acquisition Process.



- (v) Chapter 6 contains a special audit report on Illegal Occupation of Crown Lands.



CHAPTER 2

Analysis of Government Financial Statements

The financial statements of the Government prepared by the Accountant General were submitted to the Barbados Audit Office in accordance with Section 22 (2) of the Financial Management and Audit Act (FMA) Act, 2007-11. This Act requires the Accountant General to prepare, sign and submit financial statements to the Auditor General within four months after the close of the financial year. The financial statements for the financial year ended March 31, 2012 were submitted shortly after the stipulated period.

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 presented for the financial year ended March 31, 2013.
- 2.3** The objectives of the audit were 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 and assessing whether appropriate internal control systems existed and were adhered to. The audit also sought to verify that the financial statements were in accordance with International Public Sector Accounting Standards (IPSAS) and that the Financial Rules and other regulations and directives were adhered to.



Methodology

- 2.4** The audit was conducted in accordance with auditing standards established by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require the auditor to plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. INTOSAI standards also outline the processes and procedures the auditor should follow in ensuring the audit is carried out appropriately. Audit procedures include examining, on a test basis, evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of both the accounting policies used and the overall financial statement presentation.

Responsibilities of the Accountant General

- 2.5** 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.
- 2.6** 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 to allow for the preparation of summary financial statements by the Accountant General, that are free from material misstatements whether due to fraud or error.



Auditor Responsibility

- 2.7** The responsibility of the Audit Office is to audit the Government's financial statements and form an opinion based on the audit work conducted.
- 2.8** 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 true 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.
- 2.9** Audit procedures are performed to detect material misstatements in the financial statements. Materiality relates to how significant an omission or misstatement would influence or change the decisions of reasonably knowledgeable users of the financial statements.
- 2.10** An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of risks of material misstatement of the financial statements. Internal controls relevant to the preparation of the consolidated financial statements are considered, in order to design audit procedures.
- 2.11** The audit also includes evaluating the appropriate application of accounting policies and the reasonableness of accounting estimates used by Government.



Scope of Government's Financial Statements

2.12 Government's financial statements compiled by the Treasury do not represent all entities owned and controlled by Government; rather, they encompass all Ministries and Departments and exclude statutory boards and Government owned companies which report the results of their operations separately. It should however be noted that under the IPSAS there should be a consolidation of the accounts of Ministries and Departments and all entities which are controlled by Government and receive budget support.

2.13 The key elements of the financial statements examined were as follows:

- Income and Expenditure Statement
- Statement of Financial Performance
- Cash Flow Statement
- Balance Sheet
- Statement of Changes in Net Assets/Equity.

Summary of Financial Information

2.14 According to the information provided by the Treasury, the Government recorded a deficit of \$826 million during the year and this compares to a deficit of \$382 million reported for the previous year.

2.15 On the revenue side total revenue declined by \$174 million from the previous financial year. Revenue for the 2011-2012 financial year was \$2.623 billion while revenue for the 2012-2013 financial year was \$2.448



billion. The main contributing factor to the decline in revenue was a \$141 million decline in taxes from goods and services and a \$25 million decline in taxes on income and profits.

- 2.16** Total expenditures were \$3.274 billion which, compared to expenditures of \$3.006 billion in the previous year, represented an increase of \$268 million. The main factors responsible for these increases in expenditure were retiring benefits (\$34 million), other transfers and subsidies (\$178 million) and interest expense (\$38 million). Since 2009 the expenses recorded by the Treasury have risen significantly from \$3.0 billion to \$3.3 billion in 2013; however, revenue has only averaged \$2.5 billion during this period resulting in a large accumulated deficit.

Financial Indicators

- 2.17** There are a number of financial indicators which can be used to assess the health of the country's finances. The application of these indicators shows the precarious position of the national finances.

Interest Cost to Total Revenue

- 2.18** Government's interest cost as a percentage of total revenue illustrates the extent to which past borrowing decisions constrain Government's ability to provide programmes and services in the future. The interest expense has been growing steadily over the years.
- 2.19** As can be seen from the following table, 23.08% of all revenue received in 2012-2013 was used to pay interest on the national debt, and this figure has risen from around 15% in 2008. Increasing interest payments can eventually affect Government's ability to meet its commitments in a timely



manner. It should be noted that over the six (6) period revenue has declined by \$115 million while interest charges have increased by \$177 million.

Table 1
Interest Cost to Revenue
Years Ended March 31
(\$ Millions)

	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$
Revenue	2,650	2,555	2,433	2,623	2,449
Interest Payment	395	430	488	52	565
Interest payment as Percentage of Revenue	14.90	16.84	20.08	20.10	23.08

Increase in Local Borrowings

2.20

The majority of Government's recent borrowings have been short term Local Loans and this factor has exposed Government to significant interest cost risk. Interest rates have been at historically low levels in recent times but this is unlikely to continue in this vein indefinitely. Any rise in interest rates will increase the cost of borrowing and can limit Government's ability to deliver programmes since additional revenue is needed to pay interest costs. At the end of the financial year Government's short term borrowings, exclusive of an overdraft of \$262 million, amounted to \$2.32 billion. This was \$650 million more than in the previous year which was \$1.67 billion.



Annual Surplus/Deficit

- 2.21** The annual surplus or deficit represents the differences between total revenues from operations and total expenses (cost) incurred during the year. It indicates whether Government has raised sufficient revenues to pay for its expenses for that fiscal year. Over the past two years the deficit increased significantly from \$382 million in 2011-2012 to \$826 million in 2012-2013. This figure does not include \$137 million which was recorded as advance to state enterprises but which were in effect transfers. The inclusion of these amounts would lead to a greater deficit being recorded.

Table 2
Deficit for the Period 2008-2013
Years Ended March 31
(\$ Millions)

	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$
Revenue	2,650	2,555	2,433	2,623	2,449
Expenditure	3,052	3,035	3,116	3,006	3,275
Deficit	402	480	683	383	826

Net Debt

- 2.22** In simple terms the Net Debt equals all of Government's liabilities less its financial assets (financial assets are assets which can be used to pay off liabilities). It is an important indicator of the Government's financial condition as it represents the future revenue requirements needed to pay for existing liabilities. Net Debt of \$7.5 billion is reported in the consolidated financial statements of the Government and this represents an increase of \$2.7 billion over the \$4.8 billion reported in financial year 2008-2009.



Table 3
Net Debt
Years Ended March 31
(\$ Millions)

	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$
Net Debt	4,846	5,544	6,315	6,694	7,523

- 2.23** The maintenance of a high net debt will divert significant funds to debt servicing, thereby reducing Government's ability to provide services and limiting its options in adjusting to financial challenges.

Actual Financial Performance Compared to Budget

- 2.24** The actual deficit for the 2012-2013 financial year as reported by the Treasury was \$826.1 million or \$490 million greater than was originally budgeted. Transfers to state enterprises and retiring benefits increased by \$215 million. In addition there was a shortage of \$226 million in revenue and these accounted for the majority of the shortfall. It should be noted that the deficit was actually higher than stated in the Accountant General's Report, which did not take into consideration the transfers to state enterprises which were recorded as advances.

Notes to Financial Statements

- 2.25** The notes to the financial statements were inadequate in that they did not contain enough information on certain risks facing the Government and how these risks were being managed, i.e. interest rate risk as a result of increased short term borrowing.



- 2.26** The notes to the financial statements should also include an explicit and unreserved statement on the matter of compliance with International Public Sector Accounting Standards. This statement should indicate whether there has been actual compliance with the Standards.
- 2.27** The notes to the financial statements should also disclose if any budgeted amounts have been exceeded, or expenses incurred without an appropriate Finance Warrant being issued; however, no disclosures were presented as required.
- 2.28** The financial statements as at March 31, 2013 include comparative figures from March 2012 which are noted in the header as “Restated”. However, the reason for the restatement was not included in the notes to the financial statements. This information should have been made available to users of the financial statements. Apparently the restatement related to the inclusion of the accounts of twenty-two (22) Secondary Schools which were consolidated with Central Government accounts for the first time.
- 2.29** Note 8 to the Financial Statements states ‘Tax and Other Receivables’ as \$1,057,995,894. Included in this amount was Highway Revenue Receivables which was reported as \$2,264,283 instead of \$1,411,389 as reflected in the General Ledger. Also ‘Other Receivables’ were reported in the notes as \$20,380,821 instead of \$21,233,715.20 as recorded in the General Ledger.
- 2.30** Note 11 to the Financial Statements incorrectly reported Barbados Cricket Association receivables for 2013 as \$5,650,504, when the balance should be zero. The amount of \$5,650,504 should have been listed as the Needham’s Point loan receivable.



2.31

It is recommended that:

- (i) Significant accounting issues be disclosed and explained in the Notes to the Financial Statements, also departures from polices be highlighted, ensuring that this aspect of the accounts is compliant with International Public Sector Accounting Standards.
- (ii) The figures in the Notes to the Financial Statements be accurately recorded.

Transitional Provisions

2.32

The international Public Sector Accounting Standards (IPSAS) offers Governments using these standards, a period of three years in which to consolidate all of the accounts of the entities forming the reporting entity. In the case of Barbados this would include all of those entities which depend on the Treasury for the funding of their activities. This has not occurred and after six years the Treasury has only been able to incorporate a number of secondary schools. In short, Government's fragmented approach to consolidating its accounts over a period greater than three years is not in keeping with International Public Sector Accounting Standards.

2.33

It should be noted that the schools which were consolidated keep their accounts on a cash basis, and the totals which were added to the financial statements reflect this. However, there was no evidence that the assets i.e. furniture, fittings and equipment were valued and added as would be required.



Contingent Liabilities

2.34 Contingent liabilities consist of loan guarantees and/or letters of comfort signed by the Crown on behalf of statutory and private sector entities. In the event that the entities are unable to repay the loans, it would be the responsibility of the Government to settle the debts. These liabilities also relate to payments that are likely to become due at some future date because of commitments made by Ministries and Departments. Contingent liabilities were reported as at March 31, 2013 as \$1.269 billion.

2.35 Audit examination of the 2013 contingent liabilities schedule however revealed that several errors occurred, resulting in an understatement of the outstanding balance as at March 31, 2013 as detailed below:

(a) Barbados Agricultural Development & Marketing Corporation (BADMC)

A letter of comfort was issued to the Barbados Agricultural Development & Marketing Corporation (BADMC) in the amount of \$1,000,000 in respect of an overdraft facility with the Royal Bank of Canada. As at March 31, 2013 the outstanding balance on this facility stood at \$697,407. However, the statement of Contingent Liabilities did not include this balance. This has resulted in contingent liabilities in this regard being understated by \$697,407.

(b) Barbados Transport Board

Resolution No. 32/2012 published in the Official Gazette dated November 15, 2012 guaranteed the issue to the Barbados Transport Board of \$35,000,000 loaned from the Republic Bank (Barbados) Limited. As at March 31, 2013 the outstanding balance



on this facility stood at \$31,021,349. However, the statement of Contingent Liabilities carried a balance of \$17,768,341, a difference of \$13,253,008. This has resulted in Contingent Liabilities in this regard being understated by \$13,253,008.

(c) Collections and Recoveries Limited (CRL)

The debts owing by the CRL to the Central Bank (\$9,000,000) and to the Industrial Credit Fund (\$432,159) were recorded as contingent liabilities, however the accumulated interest of \$5,401,973 and \$96,306, respectively were excluded. Therefore, the contingent liabilities as related to CRL were understated by \$5,498 279 in these instances.

Other Contingencies

2.36 In addition to the above the Financial Management and Audit (Financial) Rules, 2011 Rule 229 (4) requires that the Accountant General report on the outstanding costs of contracts for services, or the outstanding costs of contracts for supplies as contingent liabilities. During the year under review such outstanding costs were not reported in the Accountant General's annual report. Hence, the contingencies did not reflect these amounts.

2.37 The Ministry of Housing in its Annual Performance Report has indicated that the Ministry is at various stages of the acquisition process for over one hundred and twelve (112) properties. The Ministry also indicated that the amount to be paid to land owners is approximately \$157 million. These contingent liabilities were not brought to account or disclosed in the



Financial Statements of the Accountant General for the Financial Year ended March 31, 2013.

- 2.38 There was also no disclosure of pending law-suits and their financial impact in the Notes to the Financial Statements. Contingencies generated from litigation should be disclosed, as they show amounts that are likely to be met from the Crown at some future date.

Contingent Assets

- 2.39 Contingent assets indicate the assets likely to be owned by the Crown as a result of future activity. These assets should be disclosed when it is probable that they can be reasonably estimated. Terminal Dues of \$721,143 owed to the Post Office by other countries meets the criteria but were not disclosed in the financial statements.

- 2.40 **It is recommended that:**

- **The Government's Contingent Liabilities and Assets be disclosed as outlined in the Financial Rules 2011. This disclosure would give users a better understanding of any financial risks and the level of contingent liabilities and assets for which Government has responsibility.**

Revaluation of Assets

- 2.41 The accounting policies of the Government require that assets would be re-valued at least every three (3) years. This action would allow the assets to be presented at current market values. This policy was however not implemented for capital assets reported by the Treasury during the financial year.



Statement of Changes in the Net Assets/Equity

- 2.42 The accounting standards sections 118 and 119 require that items recognized directly in the net assets/equity statement should be listed and the total of these items itemized. However, an amount of (\$4,109,500.00) was recorded in the Statement of Changes in the Net Assets/Equity, but the details of this transaction were not provided. Hence the IPSAS was not adhered to in this regard.
- 2.43 This issue was highlighted in previous audit reports yet no corrective action has been taken to date.
- 2.44 **It is recommended that:**
- Detailed disclosure of prior period adjustments be recorded as stipulated by the accounting standards.

Advances to State Enterprises

- 2.45 The Financial Management and Audit Act, 2007-11, Section 35 requires that any loans made by the Government shall be approved from a capital contribution approved by Parliament for that purpose. Advances to a number of agencies increased by \$137,268,420.99 during the financial year. There was no evidence that these advances were made from any capital appropriation. These expenditures included the following:
- (i) Advances of \$53.6 million were made to the National Housing Corporation.
 - (ii) Advances of \$4.257 million were made to the Sanitation Service Authority.



- (iii) Advances of \$44.876 million were made to the Barbados Agricultural Management Company.
- (iv) Advances totaling \$27.762 million were made to the Queen Elizabeth Hospital.

2.46 The Financial Management and Audit Act requires that such advances be secured by way of debenture mortgages, the terms of which should be determined by the Cabinet. The Act also requires that such amounts be made from funds voted by Parliament. There was no evidence that these amounts were voted by Parliament, which means they were unauthorized. It should also be noted that the above-mentioned entities are owned wholly by the Crown, and are not self-financing and currently do not have the capacity to repay these advances.

2.47 There was also \$124 million advanced to a Government owned company Clearwater Bay to settle a loan guarantee made in respect of the Four Seasons project. This advance was not from an appropriation as required.

2.48 **It is recommended that:**

- **The Treasury re-evaluates the accounting process for these advances and ensures that there are made from amounts approved by Parliament.**

Capital Assets

2.49 In the Notes to the Financial Statements it was stated that all capital assets including road networks, bridges and traffic management systems would be captured in the financial statements over a five-year period ending March 2012. This policy has not been enforced as at March 31,



2013, neither was a disclosure made regarding the failure to implement, and a timeframe within which the policy will be implemented. The transitional period allowed for bringing these assets to account has expired, therefore the financial statements are not in compliance with the stated accounting policies in this regard.

Tax and Other Receivables

2.50

For the financial year 2012-2013 no information was received by the Accountant General's Office for the Inland Revenue Department, the Licensing Authority, and the Division of International Transport regarding the balance of the accounts receivable. It was therefore unclear what the basis for the figures reported by the Treasury at March 31, 2013 was. The following information was reported by the Treasury:

Table 4
Taxes and Other Receivables Reported by the Treasury

Department	Item	Amount \$
		2013
Inland Revenue	Income and Profits	65,750,837
	PAYE	183,174,525
Licensing Authority	Motor Vehicles - Registration	1,115,944
	Public Service Vehicles - Registration	300,020
International Transport	Receivables	19,985,954



2.51 The absence of the supporting schedules meant that the above amounts reported in the financial Statements could not be verified.

2.52 **It is recommended that:**

- **Government agencies be reminded of the importance of reporting tax receivables so that the financial statements can be fairly presented. The inability to verify such large balances impacts on the type of audit opinion given by my Office on the financial statements.**

Loans Receivable by Private Entities

Southern Golf

2.53 A loan in the amount of \$2,000,000 was made to Southern Golf on September 25, 2009. No loan agreement was entered into by the parties and no repayments or interests have been received from Southern Golf to date. This issue has been reported in previous reports but no action has been taken to rectify the situation.

Needham's Point

2.54 Two amounts totalling \$4,666,781 were advanced to Needham's Point Holdings Limited to facilitate the construction of the Hilton Hotel. Upon the review of the documentation relating to the noted loans, it was acknowledged that Needham's Point Holdings Limited had breached the terms of the contracts. The entity failed to make payment toward the loan as required. In this regard, no evidence was presented for audit inspection to show that the Treasury Department had made efforts to recover the outstanding amounts.



2.55

It is recommended that:

- **The Treasury Department ensures that all efforts are made to collect the outstanding amounts.**

Barbados Tourism Investment Inc.

2.56

As at March 31, 2013 a formal contract still did not exist between the Government of Barbados and the Barbados Tourism Investment Incorporation (BTII) in respect of sums advanced as required by the Financial Management and Audit Act. There were no repayments received from the BTII during the year under review.

2.57

Accounts receivable in respect of the BTII were reported in the Accountant General's Financial Statements (Note 11) as \$141,500,000 with accrued interest as \$19,351,206. No further information was produced to verify the status of these receivables which had been reduced by \$97,885,949.83 in July 2011 without adequate explanations. The Audit Office therefore could not verify the accuracy of this account. This issue was highlighted in the previous audit report.

2.58

It is recommended that:

- **All decisions made in respect of these 'receivables' be properly documented to allow for clear audit trails.**

Hotels & Resorts Ltd

2.59

The Government of Barbados loaned funds to Hotels & Resorts Limited by way of a loan agreement dated July 22, 2002. A loan of **\$145,328,264.23** was granted with semi-annual repayments due at June 30 and December



31, repayable over twenty (20) years at a rate of **07.25%** per annum on the reducing balance. In the 2009-2010 financial year the Ministry of Finance confirmed that Cabinet agreed that effective 2010-2011 an amount should be included in the Annual Estimates of Expenditure representing principal and interest due for the two years prior to the budget year (approximately \$10 million per year) until the loan is written-off or repaid. However, it should be noted that only \$7 million was provided during the financial year.

2.60 **It is recommended that:**

- **Clarity is sought from the Ministry of Finance as to the appropriate action to be taken regarding this loan receivable. That portion of the accounts which is uncollectible should be written off otherwise the figures reported as receivables would be overstated.**

Vehicle Loans

2.61 The vehicle loan account in the General Ledger which represents outstanding advances to persons eligible for vehicle loans carried a balance of \$21,231,323. This was less than the figure in the subsidiary ledger which totaled \$21,653,706. The difference of \$422,383 needs to be reconciled to present an accurate picture of the outstanding balance.

Capital Assets

2.62 The significant accounting policy of the Treasury in relation to Capital Assets states that assets will be revalued after three (3) years. The Crown owns property and buildings both in Barbados and in some countries



where Overseas Missions are based; however, these assets were not revalued as required.

Property Valuations

2.63 The insurance listing for buildings received from the Ministry of Housing and Lands was used to apply values to properties listed in the accounts. From the available information provided it could not be readily determined what basis was used to arrive at the property values. The Audit Office was therefore unable to determine the reasonableness of the figures presented.

2.64 Some buildings were renovated, and hence had improved values, while others were either demolished or categorized as derelict. However, in no instance has the Treasury prepared the necessary journal entries to update the status of the assets. Hence, the values of the assets were substantially under or over reflected on the accounts. Examples are listed below:

Derelict Buildings	Demolished Buildings
Enmore Complex	Christ Church District Hospital
Haggatts Agricultural Station, St. Andrew	Nurses Association Building, St. Michael
	Public Bath Watkins Alley Suttle Street

Other Capital Assets

2.65 Other Capital Assets shown on the face of the financial statements totalled \$1,546,750,378 net of depreciation. This consists of buildings, equipment, vehicles, furniture and fittings, computer equipment, air-conditioning units and other assets with values over \$3,000.



2.66 These assets are included in an Assets Management Module of the Treasury. The information in the Assets Management Module should agree with the corresponding information in the ledger and hence the Accountant General's Report. However, as at March 31, 2013 these records differed by \$440,379,979.06. No reconciliation was provided for this difference. Information on these Other Assets is provided in the following table:

Table 5
Assets Excluding Land as at March 31, 2013

Std A/c Code	Details	Asset Management Module at Net Carrying Value \$	General Ledger Net Carrying Value \$	Difference \$
751	Property and Plant	1,024,769,161	1,127,039,464	(102,270,303)
752	Machinery & Equipment	69,773,342	138,163,408	(68,390,066)
753	Furniture and Fittings	899,908	10,755,103	(9,855,195)
755	Computer Software	372,815	10,204,546	(9,831,731)
756	Vehicles	10,555,173	18,585,444	(8,030,271)
	Sub Total	1,106,370,399	1,304,747,965	((198,377,566))
757	Infrastructure	0	74,337,217	(74,337,217)
785	Assets Under Construction	0	167,665,196	(167,665,196)
	Total	2,212,740,798	1,546,750,378	(440,379,979)

2.67 It was observed that some transactions posted in the account do not relate to assets. For example \$500,000 paid as a subsidy to Transport Board



was recorded as an asset, while \$16,500 paid for cleaning services was also recorded as an asset.

- 2.68** 'Assets Under Construction' which represents buildings or structures on which construction has started but has not been completed, increased to \$167,665,196 at year end from a total of \$149,269,755 in the previous year. These assets were not added to the 'Asset Management Module' when the projects were completed. This action prevents the correct classification of assets, and prevents depreciation expenses from being charged for those assets which have already been completed.

Accounts Payable

- 2.69** Payables initiated by purchase orders were reported as Bds. **\$13,258,955.93** as at March 31, 2013, while the Subsidiary Ledger for the same period recorded Bds. **\$8,454,296.09**. No reconciliation statement was provided to explain the difference of **\$4,804,659.84**.
- 2.70** Other than the opening balances, no activity occurred on some accounts in respect of payables. It is not clear why these outstanding current liabilities are not being settled promptly.
- 2.71** The amounts outstanding included a debit balance of \$1,477,125.51 identified as 'Unprinted Payroll Cheques'. Since 'Accounts Payable' carries a credit balance, there is some indication that there are errors in this account which should be further investigated and corrected.
- 2.72** **It is recommended that:**
- **Debit balances and accounts with no activity be investigated and appropriate action taken to correct them.**



Other Payables

- 2.73 Payables in respect of Utilities, Travel and Professional Services at the end of the financial year totalled \$66,642,884.30 as per General Ledger; however the subsidiary ledgers totalled Bds. \$57,827,155.51. No reconciliation statement was provided to explain the difference of \$8,815,728.79. The absence of a reconciliation resulted in the auditors not being able to rely on the information presented. The Treasury needs to ensure that the subsidiary ledgers are reconciled with the General Ledger.

Unpresented Cheques

- 2.74 The un-cashed cheques listing totalled \$36,374,165.94 as at March 31, 2013, while the ledger carried a total of \$35,771,036.31. The difference of \$603,129.63 was not explained, as no reconciliation was presented for audit examination.

- 2.75 **It is recommended that:**

- **All accounts are reconciled on a monthly basis to identify errors in a timely manner and allow for speedy corrections.**

Deposit Accounts

- 2.76 Deposit accounts relate to monies deposited to the Treasury which are not related to the Consolidated Fund. When payments are requested from deposit accounts, the Treasury should ensure that the accounts specified, contain sufficient funds to service the request. However, there were instances in which payments were made, although the relevant accounts had insufficient funds. Such action results in the unauthorized use of



public funds. In addition, there are a number of inactive deposit accounts with balances totalling \$12,938,012.87.

2.77 It is recommended that:

- All efforts are made to have the deposit accounts managed properly. The inactive accounts should be investigated and, where no longer needed, closed.

Barbados Saving Bonds

2.78 Barbados Saving Bonds are issued by Commercial Banks and in some instances the Central Bank of Barbados, to the Public on behalf of the Government. They have a life of five (5) years but can be redeemed before their maturity. These bonds which are offered at a discount are administered by the Central Bank of Barbados. Schedule 9 of the Accountant General's Annual Report as at March 31, 2013 stated that the value of Barbados Saving Bonds issued was \$97,910,194. However, the Central Bank of Barbados confirmation report indicated that the value of Bonds outstanding was \$99,464,800, a difference of \$1,554,606. There was no reconciliation statement to account for this difference.

2.79 It is recommended that:

- The Treasury investigates the difference and make the necessary adjustments in its records to correctly reflect Government's liability as it relates to Barbados Saving Bonds.



Commitment Fees - Caribbean Development Bank (CDB)

2.80 A commitment fee of 1% is charged to the undisbursed amount of an approved loan from the Caribbean Development bank. A total of US \$431,800.40 was charged as commitment fees on a number of CDB loans for the period under review. The payment of commitment fees indicates that the executing ministry was not in a position to receive the funds and in the interim fees were charged on the amounts committed to the projects. Such action effectively increases the cost of the loans.

2.81 **It is recommended that:**

- **Government ensures that the relevant projects are ready for implementing soon after loans have been approved to avoid paying these commitment fees. This should minimize the cost of the loans and ensure efficiency in operations.**

Gymnasium Loan

2.82 As reported in the audit reports for previous financial years (2009, 2010, 2011 and 2012) an amount of US \$241,548.80 was incorrectly posted to the Construction of Gymnasium account YRC101, thereby understating the balance reported. The adjustment to correct this transaction was not applied as at the end of the financial year.

China & Barbados Economic and Technical Co-op Loan

2.83 A payment was made in respect of the *China & Barbados Economic and Technical Co-op Loan* on June 29, 2012 bringing the outstanding balance to zero. However, the General Ledger carried a debit balance of BDS



\$368,883 as at March 31, 2013. The loan balances were therefore overstated by this amount in this regard.

Liabilities to Employees

2.84 International Public Sector Accounting Standards (IPSAS) 25, Employee Benefit, stipulates that unclaimed employees' benefits should be accrued. This includes both short term benefits and long term benefits, for example, vacation and leave passages due but not claimed, and retirement benefits. These types of liabilities were not brought to account in the Accountant General's report as at March 31, 2013.

2.85 The Government of Barbados agreed to pay the arrears of pension contributions on behalf of the Caribbean Broadcasting Corporation (CBC) to the Insurance Corporation of Barbados Limited (ICBL) over a five-year period. At March 31, 2013 the balance outstanding was confirmed by the Prime Minister's Office as \$12,974.238. However, this amount was not reported as a liability by the Treasury.

2.86 **It is recommended that:**

- **To be fully compliant with the accounting standards all outstanding employee benefits are brought to account. This would assist in the full disclosure of all liabilities.**

Revenue Recognition

2.87 Generally Accepted Accounting Principles (GAAP) dictates that revenue should be accounted for in the financial year that it is due.



- 2.88 Revenue reported for the financial year 2012-13 included amounts related to the previous financial year 2011-2012.

Tax on Betting

- 2.89 Monthly reports should be submitted by the Barbados Turf Club (BTC) to the Accountant General's Department to substantiate the payment of taxes due from betting. However, it has been realised during audit inspection that no monthly reports have been submitted, nor have payments been received from the BTC in relation to taxes due from betting since May 2010. A reminder letter was forwarded to the BTC on March 7, 2011 asking that this information be submitted.
- 2.90 The absence of information on this activity has resulted in the understatement of the revenue reported from betting and also the figures reported as accounts receivable.
- 2.91 **It is recommended that:**
- **These matters be rectified as soon as possible to ensure that all revenue due is brought to account and outstanding receivables pursued until collected.**

Revenue Adjustments

- 2.92 Value Added Tax (VAT) Revenue was increased by \$27.2 million by the Treasury during the financial year. The Treasury indicated that these adjustments were intended to bring to account revenue due for the period from taxpayers. At the time of writing there were no details to support these adjustments.

**2.93 It is recommended that:**

- All adjustments made to revenue should be provided by the relevant revenue entity and appropriate documentary evidence made available to substantiate these amounts entered in the accounts.

Waiver of Interest and Penalties Programme

2.94 The Ministry of Finance offered a waiver of interest and penalties as per Finance memorandum Ref. 5004/55/13 T159 dated November 29, 2010. The interest and penalties waived of **\$2,254,093.52 in respect of the Value Added Tax during the period 2012 to 2013 was not** shown as an expense in the financial statements.

Arts and Sports Promotion Fund

2.95 The revenues reported in the financial statements for the Arts and Sports Promotion Fund should match 60% of the revenues of the Barbados Lotteries for the corresponding year as per legislation. However, for the financial years 2008, 2010 and 2011 the revenues allotted for the Arts and Sports Promotion Fund were under the 60% threshold resulting in unreconciled differences of \$55,362 in 2010 and \$178.268 in 2011.

2.96 This matter was drawn to the Treasury's attention by the Audit Office yet no adjustments have been made to the accounts.



2.97

It is recommended that:

- The revenues for the financial years 2008, 2009, 2010 and 2011 are adjusted to match 60% of the revenues being reported by the Barbados Lotteries.

Provision for Bad Debts

2.98

Ministry of Finance requires that a provision should be made at the end of each financial year for receivables likely to become uncollectible. It is stipulated that the provision for these bad debts should be no more than 2% of the outstanding receivables at March 31 of each financial year. No bad debt provision was created for several receivable accounts.

2.99

It is recommended that:

- The 2% provision for bad debts is applied to all receivable accounts as required.

Bank Reconciliation

2.100

The inability to fully reconcile the ledger bank accounts to the bank statements indicates that there are weaknesses in the cash management process that affect its effectiveness and efficiency. The fact that this situation has continued for an extended period should be of concern to the management of the Treasury. The Audit Office highlighted these deficiencies for several years, yet there has been little improvement to the situation.

**2.101 It is recommended that:**

- The large unreconciled differences are urgently investigated and corrective action taken.

Public Enterprise Investment Fund (PEIF)

2.102 As reported in previous reports the PEIF Act was repealed in November 2010 as per the Financial Administration (Public Enterprise Investment Fund) (Repeal) Act 2010-19. All the resources of the PEIF should have been transferred to the Consolidated Fund. To date, this has not occurred.

2.103 It should be noted that the Public Enterprise Investment Fund Financial statements as at March 31, 2010 and the final statement as at November 9, 2010 have to date not been presented for audit examination.

2.104 It is recommended that:

- Compliance with the stipulations of the Financial Administration PEIF Repeal Act 2010-19 is fully enforced.

Suspense Accounts

2.105 Suspense accounts are usually temporary accounts which should be cleared at the earliest opportunity. During the 2012-2013 financial year several transactions were put through the suspense accounts without adequate explanation and credited to the Consolidated Fund or to a revenue account.

**2.106 It is recommended that:**

- Management ensures that issues relating to a balance being posted to the suspense accounts are resolved in order to ensure that the respective accounts are accurately stated.

General Comment

2.107 The issues highlighted in this Chapter were drawn to the attention of the Accountant General on November 29, 2013 with a request for comments by December 20, 2013. To date no response to the issues have been received from the Accountant General as requested. When such major issues occur without follow up explanations, they highlight a weakness in our financial management system and undermine public accountability.

Audit Opinion

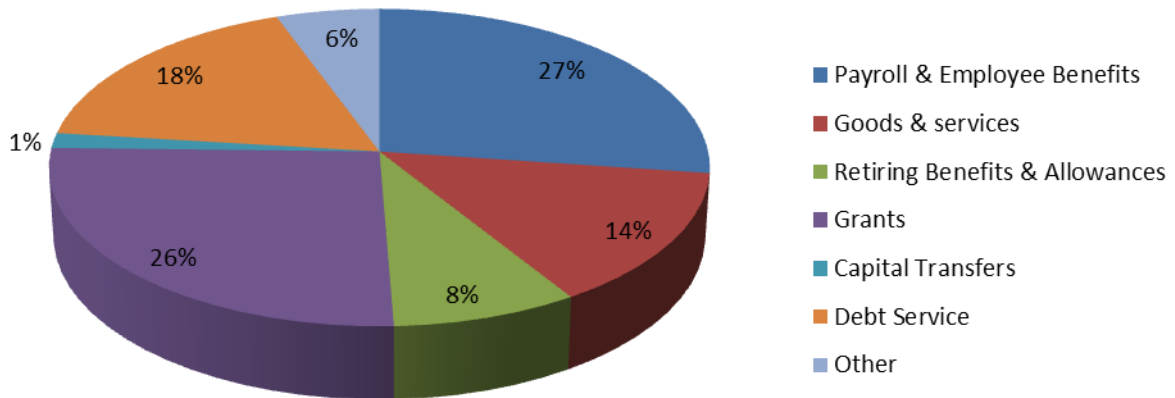
2.108 In my opinion the financial statements presented for audit did not in all material respects, fairly represent the financial position of the Government of Barbados as at March, 31, 2013.

Graphical Presentation of Government Expenditure and Revenue

2.109 The following graphs represent the distribution of Government expenditure and revenue during the financial year.

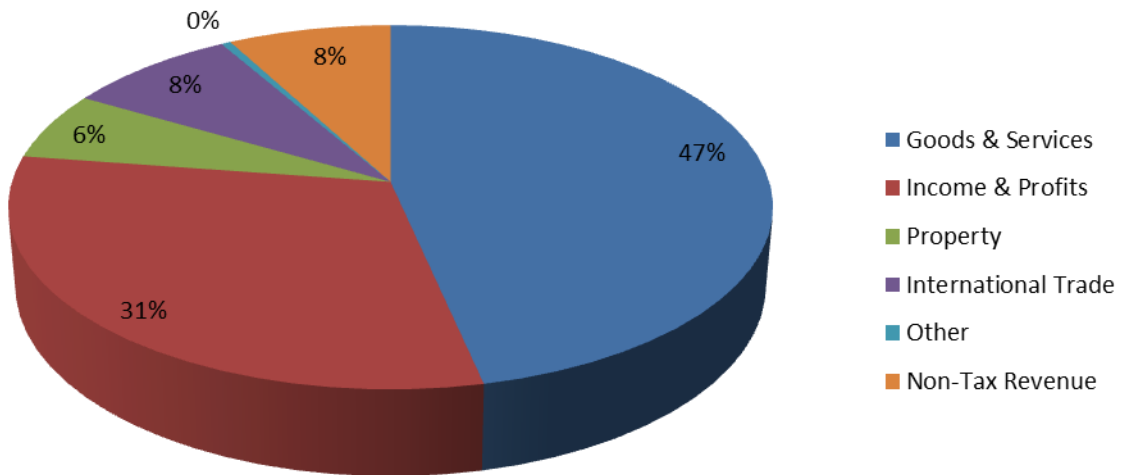


Total Expenditure 2012 - 2013



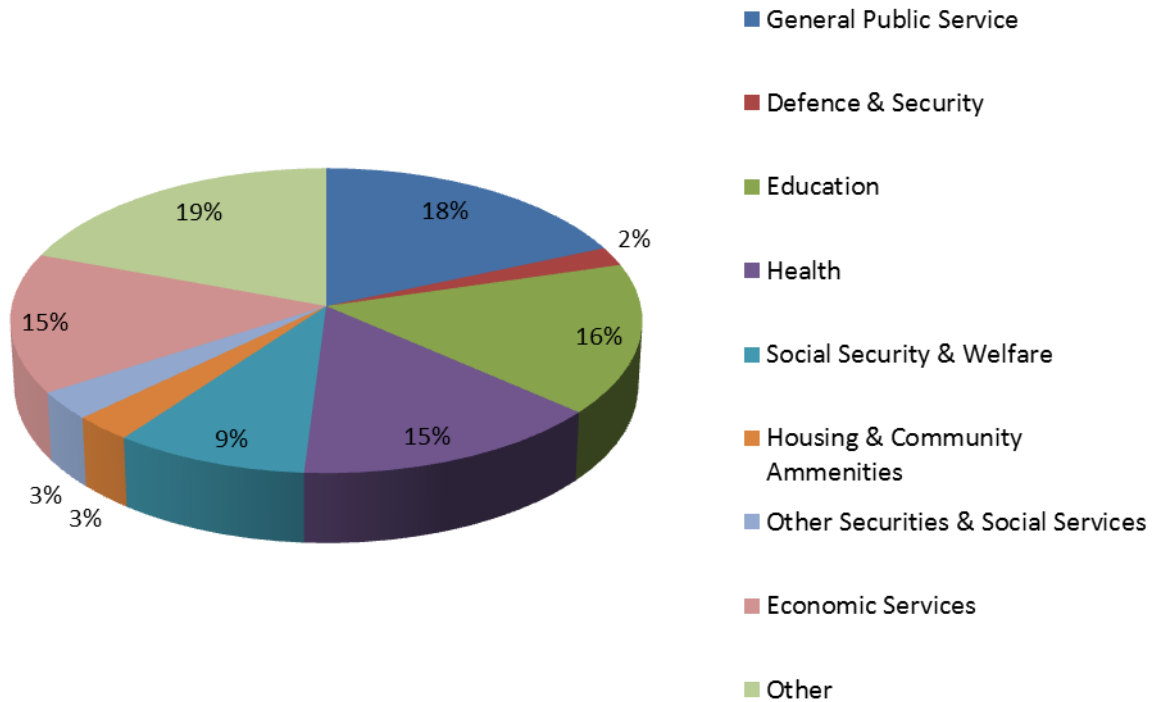


Total Revenue 2012 - 2013





Expenditure by Functional Classification 2012 - 2013





CHAPTER 3

General Audit Concerns and Observations

This chapter highlights general concerns in respect of some Ministries and Departments not complying with statutes or administrative directives. It also includes responses when provided, to the concerns raised by this Office. It should be noted that audits were not completed for all Ministries and Departments as required.

Audit Mandate

- 3.2** The audit of the accounts of the Ministries and Departments of Government for the financial year ended March 31, 2013 was conducted by the Barbados Audit Office as required by Section 26 of the Financial Management and Audit (FMA) Act, 2007 - 11.
- 3.3** As determined by this Act, the onus for the proper discharge of financial administration and the preparation of financial statements rests on the Accounting Officers. It is the Auditor General's responsibility to form an independent assessment of compliance with the FMA Act and other administrative directives on the accounts, based on the audits carried out by this Office.

Audit Purpose and Scope

- 3.4** The Barbados Audit Office is empowered to carry out audits on Ministries and Departments so as to provide assurance that:-



- Adequate safeguards exist for the collection of public moneys, and that the laws, directions or instructions relating to this function have been duly observed;
- Expenditure is properly controlled, has been properly authorized, and made for the purposes for which the funds have been appropriated by Parliament;
- Immovable and movable property is properly procured, recorded, controlled and appropriately disposed of;
- Public monies are expended economically and efficiently;
- The figures contained in the Ministry's Revenue and Appropriation accounts are correctly and properly stated.

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

General Issues

3.6 Ministries and Departments continue to report revenue, and, in some cases, expenditure on the cash basis even though the Government's basis of accounting has changed from cash to accrual. Under the accrual basis, tax due for a financial year is treated as revenue for that period regardless of whether or not monies were received. However, revenue for Ministries and Departments is generally being recorded when cash is received. This action is not compliant with the accrual principle and results in some distortions of the amounts reported as revenue.



3.7 The accrual basis of accounting also requires that expenses be recorded when service has been performed or goods delivered to Departments irrespective of whether payment is made at the time. There were numerous instances in which this principle was not applied, resulting in expenses not being recorded in the correct periods.

Ministries and Departments need to bring their accounting practices into line with the accrual accounting requirements, by reporting revenue and expenses in the period to which they relate irrespective of whether cash was paid or received. This would allow for the proper matching of revenue and expenses in a financial year.

Fixed Assets Register

As stated in previous reports, many Ministries and Departments do not have up-to-date Fixed Assets Registers containing the various assets and their values. This makes it difficult for auditors to verify the corresponding figure of \$1.5 billion for Other Capital Assets reported in the Financial Statements in respect of the assets of these agencies.

Response to Audit Queries

3.8 Before the publication of the Report all entities that were audited were given a draft copy of my findings and comments, and they were requested to supply a response. This is important, since I am of the view that all entities audited should be given an opportunity to clarify issues before they become part of the final report.

3.9 In a number of instances the entities audited did not provide a response and this is unfortunate and shows gross disrespect for the work of the



Office. In this regard, provision may be necessary for some sanctions against Permanent Secretaries and Heads of Departments who refuse to respond to queries from the Audit Office.

Inland Revenue Department

Revenue Reporting

3.10 The Inland Revenue Department is one of the largest collectors of revenue of the Government and the verification of its revenue is essential for the verification of the financial statements by the Audit Office. It should however be noted that the Department did not provide a statement of revenue to the Audit Office for verification as required by the Financial Management and Audit Act, 2007-11. The revenue reported on this Department by the Treasury was in respect of cash collections rather than revenue on an accrual basis as required. As a result, no reliance could be placed on the revenue figure recorded in the Consolidated Financial Statements, in respect of the Department.

3.11 **It is recommended that:**

- **The Department complies with Section 22 (3) (c) of the Financial Management and Audit Act, 2007-11 and submits approved statements of receipts, revenue, receivables, refunds, waivers and remittances to the Auditor General for audit verification.**



Accounts Receivable

- 3.12** No accounts receivable statements were presented to the audit for the financial year ended March 31, 2013 as required by the Financial Management and Audit Act. Therefore, the Department's accounts receivable which were listed by the Treasury at \$244 million could not be verified.
- 3.13** Given the significantly large figure for accounts receivable presented in previous years and the material nature in which a misstatement of this item can impact Government's financial statements, the Department needs to ensure that accurate and reliable figures are made available. The current state of affairs is unacceptable as it prohibits Government from providing figures that properly reflect the true state of its receivables. The lack of information also indicates that the Department has problems in adequately monitoring and managing these amounts that are due to Government.

Bank Reconciliations

- 3.14** The balance on the Tax Refunds Account bank statement as at March 31, 2013 was \$9,433,522.48. No bank reconciliations were presented for audit inspection. For a number of years, this issue has continuously been highlighted in the audit reports and the Department has continued to ignore the Financial Rules which requires monthly reconciliation. The lack of preparation of bank reconciliations is of significant risk to the Department. Reconciliation is an important control procedure that should not be overlooked as it would attest to the accuracy of the amounts and



assist in the detection of errors and unauthorized transactions on the bank account.

Refunds

- 3.15** The Department recorded \$116,089,104 as total refunds issued for the period under review. However, the accounts of the Treasury showed that \$111,726,200 was disbursed for the same period. This has resulted in an unexplained difference of \$4,362,904.
- 3.16** The refund figures are compiled from the requests for release of monies to pay refunds as requested by the Inland Revenue Department. Hence, the figures should be equal or a reconciliation of any existing difference provided.

Return of Overpaid Refunds by Taxpayers

- 3.17** Taxpayers returned a total of \$976,458.91 in refunds that were overpaid during the financial year 2012-2013. This is approximately three hundred percent (300%) more than the amount reported (\$326,058.31) as returned by taxpayers in the previous audit report. It should be noted that some overpayments were in respect of taxpayers receiving reverse tax credits for which they were not entitled and some taxpayers who were refunded twice in error. These instances in which persons voluntarily return overpayment of the refunds to the Department point to serious deficiencies in internal controls. It is unlikely that all overpayments will be returned and, therefore, the Government is incurring significant loss from this lapse in controls. This has been an on-going problem for the



Department which appears to be steadily growing. This issue needs to be urgently addressed.

Other Discrepancies relating to the Return of Overpaid Refunds

- 3.18** Monies returned by the taxpayers were not adjusted on the taxpayers account to show that the overpaid funds were returned. As a result, the taxpayers' accounts still showed that they had been overpaid and are indebted to the Department.

Moneys Deposited in respect of Refunds Returned

- 3.19** Of the total refunds returned, receipts totaling \$63,911.06 were not traced to any deposit. This issue of funds not being deposited was highlighted in the prior year's audit report but there is no indication that follow-up action has been taken by the Department. The failure to deposit all monies collected is a breach of Financial Rule 152 (1) and should have been immediately investigated.

Cheque Revalidated and Issued to Taxpayers not Qualifying for the Amount on the Cheque

- 3.20** Out of a sample of thirty (30) revalidated cheques, seven (7) instances were found where cheques held and reviewed by the Internal Audit Section were revalidated and issued to the taxpayer although the taxpayer did not qualify for the amount on the cheque. In each case, the taxpayer was overpaid by \$1,300.00. There was no evidence to indicate that the excess funds were returned by the taxpayers.



- 3.21** It is unclear why cheques that have been reviewed by the Internal Audit Section and which should not have been issued to tax payers were paid. This should be of concern to Management. The Internal Audit Section should be asked to explain why these cheques were issued. The Department personnel should ensure that the taxpayer qualifies for the amount being refunded.

Request for Documentation

- 3.22** A number of requests have been made for documentation and other information needed to perform the audit however, the relevant documentation was not provided. This has also been the case in previous financial years. The absence of the documentation not only impedes the Office from performing a complete and efficient audit, but is in breach of Section 39 of the Financial Management and Audit Act, Part IV.
- 3.23** The lack of a response by the department shows gross disrespect for the work of the Audit Office and the Laws of Barbados. It also shows a deficiency in our system of governance since no one is held accountable.

Non-filing of Returns

- 3.24** Some companies did not file for some tax periods but there was no evidence on these taxpayers' accounts to indicate that they were pursued by the Department for failing to file tax returns. The Department needs to actively pursue those persons and businesses that have not filed tax returns. The longer these violations go unchecked the more unlikely it will be to recover any amounts that remain outstanding.



- 3.25** The Audit Office sought to discuss a number of identified weaknesses in the computerized system with a consultant who was on the island, but this request was not facilitated by the Department's management.

Land Tax Department

Revenue Collected

- 3.26** Total revenue recorded by the Department was \$119,720,508, while the total revenue recorded by the Treasury in the Consolidated Financial Statements was \$132,091,236. This was a material difference of \$12,370,728. The reasons for the difference could not be determined since reconciliations are not done between the revenue recorded by the Department and the Treasury. The Department needs to reconcile its records with the records kept by the Treasury so as to assist with the accuracy of information being reported.

Revenue Recognition

- 3.27** The Department has continued to record revenue on a cash basis despite Government's adoption of the accrual basis. As a result, the revenue figure was understated by the Department and hence in the Consolidated Financial Statements for the financial year ended March 31, 2013.
- 3.28** Under the accrual basis, the revenue from land tax that should have been recorded by the Department was \$136,776,223. This consisted of the total billings (\$176,664,344) less rebates (\$29,940,884), less discounts (\$8,861,564) and less refunds (\$1,085,673). This resulted in a material difference of \$17,055,715 when compared with the revenue recorded by



the Department of \$119,720,508. The Department needs to report its revenue on an accrual basis as required.

Interest and Penalties Waived

- 3.29** During the financial year under review, the Department had an amnesty where property owners whose taxes were in arrears for the years 1981-1982 to 2011-2012 were given a 100% waiver on penalties and interest owed. This amnesty resulted in \$13,082,043.35 in interest and \$1,194,735.61 in penalties being waived. Since this is revenue that has been written off, these transactions should be expensed.

Value Added Tax Division

Statement of Accounts

- 3.30** The Value Added Tax (VAT) Division has not provided a statement of revenue to the Audit Office for verification as required by Section 22 of the Financial Management and Audit Act, 2007-11. The figures reported to the Treasury by the Division and included in the financial statements were in respect of cash collections rather than revenue on an accrual basis as required.
- 3.31** As a result, the revenue figure recorded in the Consolidated Financial Statements, in respect of the Division, will be misstated and hence no reliance could be placed on them. In addition, the Division did not submit for audit verification the approved statements of receipts, revenue,



receivables, refunds, waivers and remittances as is required by Section 22 (3) (c) of the Financial Management and Audit Act, 2007-11.

3.32 It is recommended that:

- **The Division complies with Section 22 (3) (c) of the Financial Management and Audit Act, 2007-11.**

Accounts Receivable

3.33 The VAT Division provided a summary of the aged accounts receivable for audit inspection which identified the total accounts receivable as at March 31, 2013 as \$379,283,799.59. A detailed aged accounts receivable listing was not presented for audit inspection.

3.34 Of the amounts recorded, \$294,781,220.56, representing 78% of the total has been outstanding for over five (5) years. The longer amounts remain outstanding the greater the likelihood that it will become uncollectible. The Division therefore needs to improve its collection methods.

Refunds

3.35 For the financial year 2012-2013, \$53,206,723.00 was paid in refunds; \$6,549,353.29, representing 6% of the total refunds claimed, was paid in the time specified by law. Information requested from the Division for interest paid on late refunds for the period under review was not received. The failure to pay refunds on time results in an increased cost to Government in terms of interest payments due to registrants.

3.36 In addition, no figure was seen in the financial statements for interest payable on late refunds. Records obtained from the Treasury showed that



interest was paid to five (5) taxpayers for the late payment of the refunds. The total interest paid to these taxpayers was \$151,319.31. No additional information on these payments was presented for audit inspection.

3.37 Based on the returns filed during the financial year 2012-2013, it was estimated that the Division owes interest payment of \$782,950.36 on refunds that have been paid late. The estimated interest should be recorded in the financial statements as interest payable. This has not been done in the financial year under review and resulted in the financial statements being misstated in this regard.

3.38 At the end of the financial year, the Division had a number of outstanding refunds that were approved for the current year but have not yet been paid. These refunds total \$14,063,275.14 and should have been communicated to the Accountant General to be shown in the Consolidated Financial Statements as refunds payable. The failure to report the refunds payable resulted in the Government's Consolidated Financial Statements being misstated.

Waiver of Interest and Penalties Programme

3.39 During the financial year under review, the interest and penalties were waived on a number of accounts that were in arrears. This programme resulted in a loss of \$2,254,093.52 in revenue. The Division did not provide any evidence to indicate that this expense was forwarded to the Treasury for inclusion in the financial statements. As a result, the expenditure in the consolidated financial statements would be understated by this amount.



Bank Reconciliation

- 3.40** Some of the reconciling items included in the bank reconciliation relate to prior years. These reconciling items which totaled \$5,475,074.27 included two (2) cheques totaling \$5,033,054.60 which were cashed but still appear on the bank reconciliation. No supporting documentation was provided for these reconciling items. These unreconciled items are an indication that internal controls are not being adhered to.

Barbados Licensing Authority

Preparation of Financial Reports

- 3.41** The Authority failed to submit to the Auditor General's Office, a schedule of capital assets at the balance date, a statement of commitments and other liabilities, and such other statements as necessary to fairly reflect the financial operations of the Authority in accordance with the Financial Management and Audit Act, Section 22 (3b).

Insurance Coverage

- 3.42** No evidence was provided to substantiate that assets of the Authority other than vehicles, were insured for the period April 1, 2012 to March 31, 2013. The lack of insurance coverage exposed the Authority to the unacceptable risk of not being able to recover compensation for assets lost or damaged during the period.



Accounts Receivable

- 3.43** The Department did not submit a statement of arrears to the Auditor General's Office stating the balances of the accounts receivable as at March 31, 2013. The Audit Office was therefore unable to verify the amounts shown in the Government's financial statements for the Department.

Storage and Security of Accounting Records

- 3.44** During the audit of the Authority several documents and records could not be located and presented for audit inspection. The system of filing records used by the Department is very weak. It was noted that one of the rooms where a significant portion of the records was stored did not have the capacity to be locked. This allows free access to the room and is a serious breach in security.

Overpayments to Suppliers/Staff

- 3.45** During the audit there were instances noted, where overpayments were made to suppliers and staff. These overpayments are a sign that the accounts staff, especially approving and certifying officers, were not adequately carrying out their duties. Such occurrences are in breach of Rule 178 (3) (c) of the Financial Management and Audit (Financial) Rule, 2011 and should be addressed with urgency by the Authority.



Outstanding Issues

- 3.46** In the prior financial year, there were several critical issues noted which were not adequately addressed by the Management of the Authority. There were numerous instances of misuse of funds, for which no evidence of further investigation or action taken was seen by the Audit Office in this regard.
- 3.47** Several issues of control and systems deficiencies were also highlighted which to date have not been amended. These matters require urgent attention in order to safeguard the funds collected by the Authority on behalf of the Crown. The Authority is a revenue collection agency and therefore these matters should be of high priority to management in order to prevent defalcation from occurring. Examples were as follows:-
- (i) Billings were received for telephone numbers which did not correspond with the telephone numbers recorded within the Authority's Ledgers. This situation resulted in the Authority paying for services which it did not receive. In the prior year the Authority paid an amount of \$7,028.85. In the year under review, no evidence was provided to confirm that the numbers had been disconnected and the bill payment ceased.
 - (ii) Amounts totalling \$7,900.00 were collected by cashiers but have not been accounted for.
 - (iii) The receipts shown in the end-of-day generated balancing reports as valid are later cancelled by cashiers and deducted from total receipts without adequate explanation and authorisation.



Post Office

Statement of Revenue

- 3.48** The Post Office has not provided a statement of revenue to the Audit Office for verification as required by Section 22 of the Financial Management and Audit Act, 2007-11. The failure of the entity to produce the statement of revenue is in breach of the Act.
- 3.49** Audit investigation revealed that Revenue in respect of February and March 2013 was reported to the Treasury as \$2,438,417.15 as at March 31, 2013; however, the Department's records indicated **\$3,377,788.80**. The difference was paid to the Treasury in the 2013-2014 financial year and applied as revenue for that year. Therefore postal revenue for financial year 2012-2013 was understated by \$939,371.65 in the Treasury's annual financial statements.
- 3.50** It was noted that some of the revenue earned for February and March 2013 was utilised to meet reimbursable third party payments. These third party payments included National Insurance and Government Pensions. Advances of funds were made to Post Office over twenty (20) years ago to meet pension payments. However, current monthly demands for the cashing of pension cheques have surpassed the amounts advanced.
- 3.51** The utilisation of revenue to meet such short falls in advances is a breach of the Financial Rule 152 (1) which states that moneys received on behalf of the Crown should be deposited to the Treasury account or a Crown



bank account on the same day it is received or as soon as is practicable. The Post Office should seek additional advances to cover the pension payments.

Bank Accounts

- 3.52** The Post Office currently holds bank accounts at the Central Bank of Barbados and the Republic Bank. The balance on these accounts at the end of the 2012-2013 financial year was \$2,870,637.03. This balance was not submitted to the Treasury Department for incorporation into the cash balances of the Government at the end of the financial year.

Postage Paid

- 3.53** Monthly postage paid service is being billed a month after the service is provided to the private sector, hence mail is processed without payment. This is a breach of Section 5 (2) of Cap. 27 A - Post Office Act which states that all postage and other charges imposed by this Act shall be prepaid. Consequently, this has resulted in accounts receivable of \$2,247,908.22 at the end of the financial year.



Prime Minister's Office

Division of Energy and Telecommunications

Contingent Liabilities

- 3.54** The clean-up process at the former Mobil oil Refinery Site has not been completed. Projected payments in this regard should be brought to the attention of the Treasury so that it can be reported as a contingent liability in the Government's financial statements.

Diesel Rebates

- 3.55** The Division is responsible for the payment of diesel rebates to agricultural and manufacturing businesses. The diesel is sold by the diesel retailers at the cost price less the rebate to these entities. The retailers submit their requests for payment to the Division, however there are no ledgers maintained by the Division to reflect the amounts paid and the balances owing. The balance reported as outstanding at March 31, 2013 was \$2,068,802.00; however claims totalling \$3,669,122.42 were received from retailers.

Division of Energy and Telecommunications' Response:

The Accounts Section of the Division of Energy and Telecommunications will implement a system to adequately record the transactions relating to the payment of outstanding diesel rebates and ensure compliance to the International Public Sector Accounting Standards (IPSAS) 1.



Seismic Data Income

- 3.56** The Division is responsible for maintaining data on exploration activities. This data is utilised by firms seeking to explore oil and other minerals off the shores of Barbados. This seismic data is stored in-house, as well as externally at an overseas company. Clients are requested to pay a fee to access the data.
- 3.57** It could not be ascertained for some clients listed on the logs submitted by the overseas company, whether the revenue due by these clients was accounted for. Logs were noted for some companies however no record of revenue collected in respect of these transactions was seen within the revenue account. The total involved exceeded \$1.6 million.
- 3.58** A hard drive containing the in-house seismic data could not be located, which increases the risk that this data could be used for unauthorised purposes.

Investment Income – Income from Royalties

- 3.59** The royalties earned by the Government in respect of oil exploration for the months of February and March 2013, were not accounted for within the financial statements at March 31, 2013. The aggregate total for these months of \$1,000,923.61 was recorded as royalties earned during the subsequent financial year. This is contrary to the principles of the accrual system of accounting adopted by Government in respect of the reporting of revenue and resulted in a short-statement of revenue during the 2012-2013 financial year.



Barbados Defence Force

3.60 In accordance with the provisions of Section 36 of the Financial Management and Audit Act, 2007-11, an audit of the records of the Barbados Defence Force for the financial year ended March 31, 2012 was carried out.

3.61 The following observation is made in this regard.

Preparation of Financial Statements

3.62 The Force is currently preparing the Financial Statements using a cash basis and has made no provisions to convert to the required accrual basis of accounting. Instructions 6.2 to 6.4 of the Instructions to Ministries and Departments require that financial statements be prepared on the accrual basis such that expenses are recognised when incurred and revenue when due whether or not cash is paid or received. The Government of Barbados adopted the accrual basis of accounting in the financial year ended March 31, 2008 in accordance with the International Public Sector Accounting Standards (IPSAS). A five year transitional period was provided during which Departments were required to convert all of their accounts to the accruals basis. The five year transitional period ended on the March 31, 2012. The Barbados Defence Force should adopt the accruals basis of accounting and present the Financial Statements on this basis in accordance with the instructions.

**Barbados Defence Force's Response:**

Headquarter BDF will adopt the accrual basis of accounting with effect from April 1, 2014 and will present the Financial Statements on that basis.

Ministry of Education and Human Resource Development

Indebtedness to the University of the West Indies

- 3.63** A balance of \$131,974,893 was shown on the statement of recurrent contributions, tuition and other payments as the amount due from the Government of Barbados to the University of the West Indies as at July 31, 2013. The correctness of this balance could not be confirmed by personnel from the Ministry of Education. It should also be noted that this liability was not reported in Government's financial statements. This Ministry needs to put a system in place to verify amounts submitted by the University and this outstanding balance should be forwarded to the Treasury for inclusion in the accounts of the Government.

Overdrawn Salaries

- 3.64** Overdrawn salaries at September 30, 2013 totalled \$338,735. Some of the balances which comprised this total were substantial, including one for \$80,715. In many instances these overdrawn salaries were not being repaid.



Media Resource Department

Fixed Assets Register

- 3.65 A Register of Fixed Assets prepared in the format specified was not in place. This matter needs to be rectified as soon as possible as the Department is responsible for a substantial quantity of specialized equipment, many of which are of high value.

Ministry of Health – Psychiatric Hospital

Fixed Assets

Inappropriate Charges

- 3.66 Inappropriate charges were made against Standard Account Code 785 Assets Under Construction. These included payments of \$60,025 for accommodation, \$30,801 for food supplies and \$16,714 for services. These charges were inappropriate as they were not directly related to the cost of Assets Under Construction.

Hospital Director's Response:

These payments were made to satisfy outstanding bills for which the Hospital had requested a supplementary warrant. The existence of funds in the assets under construction which would not have been utilized during the period allowed for these outstanding bills to be satisfied. The Hospital's management continues to seek and mandate greater feedback



from the accounting officers to better project as to the financing position and needs of the Hospital to reduce or eliminate future instances of this nature.

Fixed Assets not Recorded Correctly

- 3.67** The fixed assets listed in the fixed assets register did not take depreciation into account and as a result they were overstated. Management should ensure that the assets reflect their correct values, as this information is required for reporting purposes in Government's financial statements.

Absence of Insurance Coverage

- 3.68** There was no insurance coverage of fixed assets for the year 2012-2013. Inadequate insurance coverage puts valuable assets at risk unnecessarily. Management should ensure that adequate protection is provided for the assets which the Hospital manages on behalf of the Crown, in case of theft or damage to the asset.

Hospital Director's Response:

This issue was raised in the last audit report, however it can only be deemed as an oversight by the Department. A complete inventory has commenced of all assets to allow for coverage to be sought.



Ministry of Transport and Works

Preparation of Financial Reports

- 3.69** The Ministry failed to submit to the Auditor General's Office, the statement of performance, a schedule of capital assets at the balance date, a statement of commitments and other liabilities, and such other statements as necessary to fairly reflect the financial operations of the Ministry in accordance with the Financial Management and Audit Act, Section 22 (3b).

Unreported Liabilities

- 3.70** There was no documentation presented to substantiate that outstanding liabilities of the Ministry at March 31, 2013 was submitted to the Treasury in accordance with Rule 82(d) of the Financial Management and Audit (Financial) Rules for inclusion in the financial statements of the Government and these include the following:

(i) Provision of Traffic and Street Lighting

An amount of \$7,852,751.00 due to the Barbados Light and Power (BL&P) for the provision of street lighting.

(ii) Highway Construction and Maintenance Services

Amounts totaling \$869,251.12 due to construction companies.

(iii) Contracts – Retention Monies



Retention monies owed by the Ministry to various suppliers/contractors.

- 3.71 As a result of the above, the financial statements of the Government would be understated in this regard.

Amounts Expensed in the Incorrect Period

- 3.72 Instances were observed where amounts invoiced in a previous financial year were expensed in the financial year ended March 31, 2013. This is contrary to the accrual basis of accounting adopted by the Government which requires that transactions and events are recognized and recorded when they occur whether or not cash is received or paid and reported in the financial statements of the period to which they relate.

Overpayments to Suppliers

- 3.73 There were instances of overpayments to suppliers which involved substantial amounts. This indicates that the certifying officers were not adequately carrying out their duties. Such occurrences are in breach of Rule 178 (3) (c) of the Financial Management and Audit (Financial) Rules, 2011 and must be addressed with urgency by the Ministry.

(i) Loan Overpayment

An amount \$1,265,532.93 was paid to a Financial Institution on January 15, 2013. However, according to the Ministry of Finance's, Memo No. 5058 T8 dated January 9, 2013 and a letter from the Institution dated January 2, 2013, the amount paid should have been \$6,509.29. This action resulted in an overpayment of \$1,259,023.64 to the Institution.



(ii) Other Overpayment

- (a) An amount of \$29,375.00 was paid for supplying and fitting one (1) V3F drive module to the elevator at the former was noted that the identical amount was previously paid to the same company for the same service resulting in an overpayment of \$29,375.00 to the supplier.
- (b) An amount of \$18,973.14 was paid by the Ministry for a photocopier. However a similar amount was paid by the Central Purchasing Department for the same copier resulting in an overpayment of \$18,973.14.

3.74

It is recommended that:

- **The Ministry's approving and certifying officers review all supporting documentation to avoid overpayment. The Ministry should take appropriate action to recover the outstanding amounts.**

Quotations

3.75

In several instances suppliers were paid for services rendered but there was no documented evidence to show if the lowest possible price had been paid. The only quotation seen on file was the one from the supplier who rendered the service. There is the possibility that the Ministry did not receive the services at the best available price in the absence of a competitive bidding process.



Asset Management

3.76 The following deficiencies were noted in respect of fixed assets:

(i) Incorrect Classification of Expenditures

- (a) An amount of \$500,000 representing a subsidy paid to the Transport Board for capital expenditure was incorrectly recorded as an asset. This resulted in an overstatement of Fixed Assets in the financial statements of the Government and an understatement of transfers.
- (b) An amount of \$75,512.19 was paid as part payment for a generator. This amount was incorrectly charged to 211 - Maintenance of Property but should have been added to the cost of the existing asset. As a result of this action the assets were understated and expenses overstated.

(ii) Fixed Assets Register

No Asset Register was presented for audit inspection. The Ministry indicated that it was not updated as at March 31, 2013. The Ministry is equipment intensive and holds many categories of assets; failure to keep the Fixed Asset Register up to date is a breach of the Financial Management and Audit Financial Rule Part VII Section 75 and places the Crown's assets at risk of misappropriation. Without adequate records of the Ministry's assets, the relevant sums recorded in the books of the Crown could not be verified.



Insurance Coverage and Revaluations

- 3.77** An amount of \$733,314.00 was paid for insurance coverage in respect of vehicles and equipment. A list of the vehicles and equipment owned by the Ministry for the financial year ended March 31, 2013 was requested but was not presented for audit inspection. As a result, it was not possible to confirm if all of the Ministry's vehicles and equipment were accounted for and insured.

Contracts

- 3.78** There were no contracts in place for the works, goods and services, provided by suppliers/contractors in a number of instances. The value of the works performed or goods supplied required that contracts be created in accordance with Rule 222 (1) and (4) of the Financial Management and Audit (Financial) Rules. The Ministry must ensure that its operations are in conformity with Government's regulations.

Consultancy

- 3.79** A consultant was employed in respect of the Department's Vehicle Equipment & Workshop section earning \$10,000.00 per month. It was however observed that requirements of the contract were not met for at least six (6) months. The Consultant was therefore paid without satisfying some of the terms of the contract.



3.80

It is recommended that:

- The Ministry ensures that the necessary work done by Consultants is completed before payment is made and before the contract is renewed. The contract should not have been renewed if the stipulations for the previous contract were not fulfilled.

Contingent Liabilities

3.81

During the year under review balances of commitments outstanding as per contracts in respect of services, supplies and works at year-end were not reported to the Accountant General. Information on contingent liabilities provides policy makers and other interested stakeholders with information on future liabilities of the Government.

National Assistance Board

Retirement Benefits

3.82

In accordance with the Statutory Board Pensions Act, CAP. 384 #32A, the pension received by an officer who was employed by the Board on or after November 1, 1975, shall be reduced by the amount of pension being paid by the National Insurance Office. This matter has already been brought to the attention of the Board.

3.83

The following was however noted when the Board's Pension Benefits Payroll was examined for the year ended March 31, 2012:



- (i) The Board is paying full pensions to seventy-five (75) employees, however only two (2) former employees should receive such benefits, all other pensions should be reduced proportionally by the pension paid by the National Insurance Department.
- (ii) The payment of these pensions has resulted in overpayments in the amount of \$714,298.32 for the year ended March 31, 2012.

National Assistance Board's Response

The National Assistance Board will continue to seek the guidance of the Ministry of Social Care, Constituency Empowerment and Community Development on this matter.

Office of the Ombudsman

Rental of Property**3.84**

The lease for rental of floor space occupied by the Office of the Ombudsman originally covered a two-year period from April 1, 1995 to March 31, 1997 with provisions for subsequent renewal. There is no evidence of this lease having been renewed since inception; hence, there is no up-to-date agreement governing the rental of the office space occupied by the Office of the Ombudsman. This matter needs to be regularized.



Ministry of Social Care, Constituency Empowerment and Community Development

Constituency Councils

3.85 An audit of the thirty (30) constituency councils revealed a number of anomalies which must be rectified to ensure that the financial resources of these entities are utilized in accordance with the Constituency Council Act 2009-9 and Government Financial Rules and regulations. Of special note is the absence of approved minutes, non-submission of signed financial reports in a timely manner, proof of unanimous decisions for “round robin” approvals and absence of supporting documents to facilitate certain payments.

Minutes of Meetings

3.86 Some constituency councils failed to submit minutes for audit inspection as requested, although there was evidence that meetings were held. In addition some minutes were not signed and others which were signed by the Chairmen were done a long time after the completion of the meetings.

3.87 It was therefore difficult to determine the financial decisions made by the councils in the absence of the approved minutes.

3.88 **It is recommended that:**

- **An effective monitoring system be implemented to ensure that all minutes are submitted and signed on a timely basis.**



Accounting Records

3.89 A number of councils failed to submit financial records for the period October 2012 to March 2013 for audit inspection. Failure to submit monthly financial reports in a timely manner inhibits the oversight of the councils by the Department of Constituency council.

3.90 The Councils which failed to submit financial records were:

- (i) St. George North
- (ii) St. George South
- (iii) St. Thomas
- (iv) St. Michael Central
- (v) St. Michael East
- (vi) St. Michael South Central

Welfare Department

Bank Reconciliation

3.91 The Department has not been reconciling its bank account held at the Central Bank. An overdraft balance shown on the bank statement as at March 31, 2013 was \$1,378,846.71. The lack of reconciliation has resulted in the Department not being able to account for



the balance shown on the account. It also poses the risk that errors or losses could go undetected.

Ministry of Environment and Drainage

Financial Reports

3.92 The Ministry failed to submit to the Auditor General's Office, the statement of performance, a schedule of capital assets at the balance date, a statement of commitments and other liabilities, and such other statements as necessary to fairly reflect the financial operations of the Ministry in accordance with the Financial Management and Audit Act, Section 22 (3b).

3.93 **It is recommended that:**

- **The Ministry ensures that all reports are submitted as required.**

Natural Heritage Department

Beautify Barbados Programme

3.94 Persons engaged under the Beautify Barbados Programme are normally issued contracts for a period of one year. However, there were numerous payments during the period January to March, 2013 to persons engaged under the programme without contracts.



3.95

It is recommended that:

- Management ensures that adequate employment contracts are prepared and signed by all parties involved.

Solid Waste Project

Fixed Assets

3.96

An up to date Register of Fixed Assets was not in place at the time of the audit inspection. This is not in keeping with the provisions of section 7.2.8 of the Instructions to Ministries and Departments 2007 which states that all items which have been capitalized must be recorded in a Fixed Assets Register which must be maintained by each Department. This increases the risk of assets being stolen or misplaced without being detected.

Drainage Division

Absence of Contracts

3.97

Sums totalling in excess of \$1 million were paid out during the year to various contractors for digging wells and providing other well maintenance services. In most instances, the contractors were paid sums exceeding \$50,000 without the support of valid contracts. This is a breach of Rule 222 of the Financial Rules which requires that a contract be drawn up for the provision of services or supplies exceeding \$50,000.



Registration Department

Absence of Contract

3.98 Sums totalling \$1,376,859 were paid to a company based in the USA, for facilities management at the Judicial Centre during 2012-2013. There was no contract in place to support this expenditure and no evidence that the tendering process had taken place. This is a breach of Rule 222 (4) of the Financial Rules, 2011 which states that where the expenditure in respect of the supply of services or supplies exceeds \$200,000 the accounting officer shall invite tenders for the supply of services or supplies.

3.99

It is recommended that:

- **Management adheres to the Financial Rules and follows the tendering process when expenditure exceeds \$200,000.**

Fixed Assets

3.100 An up to date register of fixed assets was not in place at the time of the audit check, and there was no evidence to show that fixed asset inspections had been carried out. As a result, the department's fixed assets were not reconciled with the Accountant General's Fixed Assets Accounts. This matter needs to be urgently addressed as the department has spent over \$8 million in acquiring furniture, fixtures, machinery and equipment since 2008.

**3.101 It is recommended that:**

- Management ensures that an up-to-date register is maintained for the office's fixed assets, its accuracy verified and reconciled with the Accountant General's Fixed Assets Accounts for reporting purposes.

Trust Assets

3.102 Rule 123 of the Financial Rules, 2011 states that an officer that the Accountant General appoints to manage a trust asset that a department holds, shall submit a report on the trust asset to the Director of Finance and Economic Affairs, and the Accountant General in an approved form at September and March of the financial year. No reports were submitted to the Accountant General during the year, therefore no information was included in the financial statements of the Crown. This situation needs to be rectified, as there are over five hundred trust assets being held by the department with investments in excess of \$39 million at October 2013.

Registration Department's Response:**Fixed Assets Register**

A Fixed Asset Register has been opened and contains assets bought during financial years 2011-2012 and 2012-2013. A comprehensive account cannot be given of furniture obtained in 2008 because there were no detailed records of purchases. A list of furniture and fixtures and other assets presently in the Magistrates' Courts is still being compiled



Trust Assets

The Assistant Accountant is currently updating the Trust Assets Journals and will submit the relevant reports as soon as possible.



CHAPTER 4

Audit of Statutory Boards, Government Companies and Controlled Entities

The Constitution of Barbados requires that the Office of the Auditor General conduct audits of all statutory authorities and Government controlled entities and submit a report to Parliament. It should however be noted that the accounts of some of these entities are audited by private sector auditors. The Audit Office however provides a status report on the audits of all Government agencies, whether conducted by this Office or by private sector auditors. The status report on the audit of these agencies as at December 31, 2013, is presented in this Chapter.

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

Arts and Sports Promotion Fund

- 4.1** 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.
- 4.2** The Financial statements for this Fund are prepared by the Treasury. Statements for the period 2008 to 2011 were submitted for audit, but because of a number of errors in the statements were to be resubmitted



to the Audit Office. These statements have however not been resubmitted to date.

- 4.3 There were no financial statements submitted on behalf of the Arts and Sports Promotion Fund for the financial years ended March 31, 2012 and 2013. The audit of the accounts of this Fund for these years is therefore in arrears.

Barbados Boxing Board of Control

- 4.4 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 Boxing Board has however not submitted any accounts to be audited for the past twenty years. The Ministry responsible for sports needs to take action to rectify this situation.
- 4.5 For a number of years I have been reporting on this matter which needs to be urgently addressed by the Ministry responsible for sports.

Barbados Community College

- 4.6 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. There has not been an audit of the accounts of the Barbados Community College for four years. The College requested a delay in the audit of the accounts in 2011 and this was repeated in 2012. However, there has as yet been no submission of accounts for the years ended March 31, 2010, 2011, 2012 and 2013.
- 4.7 This College has received over \$80 million in funds voted by Parliament



over the past four (4) years, and it is unacceptable that its accounts should not have been audited for such a long period.

4.8 This matter is not being given the urgency that it requires by management or the Board, and the Ministry of Education should take appropriate action to ensure that the preparation of the accounts is up to date in order to facilitate the conduct of the audits.

4.9 The College in correspondence dated December 2013 indicated that the matter was receiving the immediate attention of the Board. There has been no further communication to the Audit Office in this regard.

Barbados Defence Force

4.10 The audit of the accounts of the Barbados Defence Force for the financial year ended March 31, 2012 was conducted during the course of the year.

4.11 The Financial statements were produced on a cash basis rather than the accrual basis adopted by Government. The Force has indicated that it will comply with the Government directive and prepare future statements on the accrual basis.

4.12 The financial statements for the year ended March 31, 2013 have not been submitted to the Audit Office for audit and therefore remain outstanding.

4.13 The audit of the Barbados Defence Force Pension Fund account for the financial year 2012-2013 is outstanding and will commence shortly.



Barbados Hospitality Institute

- 4.14** The Barbados Hospitality Institute falls under the aegis of the Barbados Community College. This Institute conducts training for persons pursuing careers in the hospitality industry. There has been no submission of financial statements of the accounts for audit for the years ended 31st March 2010, 2011, 2012 and 2013. The audit of accounts of the Institute is therefore four (4) years in arrears. This is because of the institution's insistence that the audit be delayed. Action needs to be taken by the Board of Management and the Ministry of Education to ensure that the accounts are available for audit in a timely manner.

Barbados Liaison Service - Miami

- 4.15** The Barbados Liaison Service in Miami administers a program relating to workers recruited in Barbados for attachment to hotels in the USA. The accounts for the Service for the financial years ended March 31, 2011 to 2013 are currently being audited.

Barbados Liaison Service - Toronto

- 4.16** The Barbados Liaison Service in Toronto administers a programme relating to farm and hotel workers recruited from Barbados. The audit of the accounts of this programme for the financial year ended March 31, 2013 is currently outstanding.

Caribbean Centre for Development Administration

- 4.17** 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 accounts of CARICAD for the financial years ended March 31, 2012 and 2013 are currently being audited.

Catastrophe Fund

4.18 The Catastrophe Fund was established in 2006 and is administered by the National Insurance Fund. This Fund provides financial aid to persons with homes valued at no more than \$125,000 which are damaged by a catastrophe.

4.19 The Catastrophe Fund Act requires the Government to make contributions of \$2.5 million for a period of five years commencing 2007. However, at the end of 2012, contributions of \$600,000 remained outstanding.

4.20 The accounts of the Fund for the financial years ended December 31, 2010 to 2012 were submitted for audit. However, a number of issues relating to information in the financial statements need to be resolved before the audit of the accounts can be finalized. The audit of the accounts for the financial years ended December 31, 2010, 2011 and 2012 is currently outstanding.

Central Emergency Relief Scheme

4.21 The Auditor General is required under Section 14 of the Central Emergency Relief Scheme to audit the accounts of the Central Emergency Relief Fund, the precursor to the Catastrophe Fund. The accounts of this Fund had remained outstanding for a number of years. However, they were submitted in 2013 and the audit will be conducted



during 2014. These statements covered the financial years ended December 2006 to 2012.

Central Liaison Service

- 4.22** The Central Liaison Service (Regional Security System) is a regional security organization headquartered in Barbados and supported by a number of Caribbean countries. Its functions include assisting with the fight against illegal narcotics and combating threats to national security in member states. The accounts of the Central Liaison Service for the financial years ended March 31, 2012 and 2013 have been submitted for audit and will be completed during 2014.

Community Legal Services Commission

- 4.23** The Community Legal Services Commission provides legal aid to persons in the country who need assistance and meet the established criteria. The accounts of the Commission for the financial years ended March 31, 2011, 2012 and 2013 have not been submitted for audit. The audit of the accounts of the Commission is falling behind and management needs to arrest this situation urgently.

Erdiston Teachers' Training College

- 4.24** The Erdiston Teachers' Training College is an educational institution established for the training of teachers. The accounts of the College for the financial year ended March 31, 2012 were to be resubmitted because they contained a number of errors, but to date these statements have not been resubmitted. The accounts for the financial year ended March 31, 2013 have not been presented for audit and also remain outstanding.



National Assistance Board

4.25 The National Assistance Board 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 (3) months of the end of each financial year, to the Auditor General for audit.

4.26 The Board has not provided the Audit Office with finalised signed Financial Statements prepared in accordance with the International Financial Reporting Auditing Standards for the financial years ended March 31, 2011 and 2012.

National Insurance Fund

4.27 The audit of the National Insurance Fund is currently nine (9) years in arrears. As I indicated in previous reports, the Office has employed auditors from the private sector to assist with the audit of these accounts. These auditors were recruited in 2011, however, only one set of financial statements has been completely audited and this is in respect of financial year 2003. Progress has been painstakingly slow due to a number of factors. These include delays in obtaining third party confirmation for some investments and the reconciliation of schedules provided by the Department with figures on the financial statements. The Auditors have indicated that it has been difficult to schedule workers to audit when all the relevant information has not been made available.

4.28 I have indicated to the auditors and management of the Fund that in order for there to be progress on this audit, timelines have to be set for the



completion of each year in arrears. If the relevant information cannot be provided, then the appropriate audit opinion should be given for that year. Since this suggestion, the auditors have met with the management of the National Insurance Department to plan strategies for the completion of the audits and some progress has been made.

Samuel Jackman Prescod Polytechnic

- 4.29** The 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 October 1, in respect of the preceding financial year, Statements of Accounts audited by the Auditor General.
- 4.30** As reported on numerous occasions the financial statements of the Polytechnic have been in arrears for several years, from 1998 to be precise. During 2011 the Polytechnic submitted to the Office financial statements for the financial years ended March 31, 2009, 2010 and 2011. However, these statements were not prepared in accordance with the accounting standards and there was no adequate supporting documentation in support of the statements resulting in the audit process being suspended.
- 4.31** The Audit Office has had considerable difficulties with the Polytechnic over the years with regard to obtaining financial statements and relevant supporting schedules in order to complete the audit of the accounts. The required action has not been taken by the Management of the Institution or the Board to ensure that the relevant statements and accounting records are up to date. The Polytechnic has received over \$100 million in



Government funds over the past ten years that have not been audited and this is totally unacceptable. The Polytechnic should ensure that it has the requisite staff with the required experience and competencies in charge of its accounts, and a Board of Management which holds its employees accountable for the performance of their work.

Sanitation Service Authority

- 4.32** The audit of the accounts of the Sanitation Service Authority for the financial year ended March 31, 2009 was completed during 2013. The audit of the accounts for the financial years ended March 31, 2010, 2011, 2012 and 2013 are currently outstanding, as financial statements have not been submitted to the Audit Office. The audit of these accounts is falling further in arrears and the Board needs to take the necessary action to end this state of affairs. Financial statements submitted long after the period in which the activity occurred are of little benefit to management or other stakeholders, and represent a breakdown in the process by which the Board and its officers are held accountable by Government.

Severance Payment Fund

- 4.33** The audit of the accounts of the Severance Payment Fund for the financial year ended December 31, 2009 continued during the year. However, this audit was not completed. There were amounts of \$29 million in receivables and \$20 million in allowances for doubtful accounts for which no supporting documentation was provided. The accounts for the financial years ended December 31, 2010, 2011 and 2012 are outstanding, as no financial statements have been submitted to date for these years.



Sugar Industry Research and Development Fund

- 4.34** The Receipts and Payments Accounts for the financial year ended December 31, 2012 were submitted for audit as required by Section 15 (2) of the Sugar Industry Act, Cap. 270. No material errors were discovered in the financial statements during the course of the audit.

Sugar Workers' Provident Fund

- 4.35** 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 accounts of the Fund for the financial years ended December 31, 2010, 2011 and 2012 were audited during the year.

Unemployment Fund

- 4.36** The Unemployment Fund, which is administered by the National Insurance Department, pays benefits to those qualifying persons who were laid off from work. The financial statements for the financial years December 31, 2010, 2011 and 2012 have not been submitted to the Office for audit and therefore remain outstanding.

Retraining Fund

- 4.37** 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.



- 4.38** The financial statements for the financial years ended December 31, 2010, 2011 and 2012 have not been submitted to the Office for audit and therefore remain outstanding.

Audits Conducted by Private Sector Auditors

- 4.39** 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 these audits is as follows:

Statutory Boards and Government Companies

Barbados Agricultural Credit Trust Ltd.

- 4.40** The principal activity of the Barbados Agricultural Credit Trust Ltd (BACTL) is the management of the debt of the Barbados Sugar Industry Ltd. (BSIL) and the Heavily Indebted Plantations (HIPs), a responsibility which was assumed from the Barbados National Bank in the form of a portfolio transfer. The audit for the financial year ended June 30, 2013 has been completed.

Barbados Agricultural Development and Marketing Corporation

- 4.41** The Barbados Agricultural Development and Marketing Corporation (BADMC) consists of two (2) merged entities: the Barbados Marketing Corporation (BMC) and Barbados Agricultural Development and



4.42 Management Corporation (BADMC). The principal activity of the BADMC under Section 10 of the Act 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.

4.43 The Corporation informed that audits of the accounts of the BADMC for the financial years ended March 31, 2009 and 2010 have been completed and draft financial statements for the year ended March 31, 2011 are being reviewed. The audit of the accounts for the financial years ended March 31, 2012 and 2013 also remains outstanding.

Barbados Conference Services Ltd.

4.44 The Barbados Conference Services Ltd (BCSL) is responsible for the operations of Sherbourne Conference Centre and provides destination management and transport services under the brand names, 'Horizon Events' Planners and 'Horizon Coaches and Tours' respectively. The audit of the accounts for the financial year ended March 31, 2013 has been completed.

Barbados Investment and Development Corporation

4.45 The Barbados Investment and Development Corporation (BIDC) was established under the Barbados Investment and Development Corporation Act, 1992 – 30 for the purpose of developing Barbados' industrial, off-shore financial, export and other related activities. The audit of accounts for the financial year ended March 31, 2012 has been completed. The



Corporation has indicated that the accounts for the financial year ended March 31, 2013 have been forwarded to the auditors for the appropriate review and sign off.

Barbados National Oil Company Ltd.

4.46 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.

4.47 BNOCL has indicated that the audit of the financial statements for the year ended March 31, 2013 have been audited and approved by the Board of Directors. However, they are yet to be presented at an annual meeting for adoption by the shareholders.

Barbados Port Inc.

4.48 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 audit of the accounts for the year ended December 31, 2012 has been completed.

Barbados Tourism Authority

4.49 The principal activities of the Barbados Tourism Authority (BTA) are 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.



4.50 The audit of the financial statements for the year ended March 31, 2011 has been completed. BTA has reported that the audit of the accounts for the financial year ended March 31, 2012 is currently in progress, and the audit of the accounts for the year ended March 2013 is expected to be completed by June 2014.

Barbados Tourism Investment Inc.

4.51 The principal activities of the Barbados Tourism Investment Corporation are the facilitation of tourism investment in Barbados, and the development of its vested properties in private and public partnerships.

4.52 The Corporation has reported that the audit of the accounts for the financial year ended March 31, 2011 has been completed. The audit of the accounts for the year ended March 31, 2012 and 2013 remain outstanding.

Barbados Vocational Training Board

4.53 The National Training Board was set up under the Occupational Training Act, 1979, Cap. 42 to ensure an adequate supply of trained manpower through occupational training for apprentices and trainees. The name of the Board was subsequently changed to the Barbados Vocational Training Board (The Board) under Section (2) of the Technical and Vocational Educational Training Act, 1994 - 11. The Mission of the Board, however, has remained unchanged.

4.54 In 2012 the management of the Training Board reported that the audit of the accounts for the financial year ended March 31, 2006 was in progress, and that generally the audits were in arrears due to lost data, errors and scheduling problems with auditors. The audit of the accounts



for the financial years ended March 31, 2006 to 2013 remains outstanding.

Barbados Water Authority

4.55 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 April 1, 1981.

4.56 The BWA reported that the audit of the accounts for the financial years ended March 31, 2009 and 2010 were currently in progress. The audits for the financial years ended March 31, 2009 - 2013 therefore remain outstanding.

Caribbean Broadcasting Corporation

4.57 The principal activity of the Caribbean Broadcasting Corporation (CBC) is the provision of broadcasting services through radio and television. The audit of the accounts for the financial year ended December 31, 2012 has been completed. The audit of accounts for 2013 remains outstanding.

Caves of Barbados Ltd

4.58 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 has reported that the audit of accounts for the financial year ended 2010 was still in progress to be followed by the audits for 2011 and 2012. Therefore, the audits of accounts for financial years 2010 to 2013 are outstanding.



Child Care Board

- 4.59** 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 audit of the accounts for the financial year ended March 31, 2012 has been completed. The audit of the accounts for 2013 remains outstanding.

Enterprise Growth Fund Limited

- 4.60** 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. EGFL also provides business advisory services and technical assistance to its client companies. The audit of the accounts for the financial year ended December 31, 2012 has been completed.

Fair Trading Commission

- 4.61** 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.
- 4.62** 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 March 31, 2013 has been completed.



Financial Services Commission

4.63 The Financial Services Commission (FSC) commenced operations on April 1, 2011 under the Financial Services Commission Act, 2010. The Commission represents an amalgamation of the former Registrar of Co-operatives, the Securities Commission and the Supervisor of Insurance and Pensions.

4.64 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, and 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 March 31, 2013 has been completed.

Grantley Adams International Airport Inc.

4.65 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).

4.66 The audit of the accounts for the financial year ended June 30, 2013 has been completed.

***Hotels and Resorts Ltd.***

- 4.67** Hotels and Resorts Ltd. was incorporated under the Laws of Barbados on December 27, 1995. The principal activity of Hotels and Resorts Ltd. is the investment in, and development of, hotel premises.

The Company has reported that the audit of the accounts for the financial year ended December 31, 2012 is in progress. This audit and the audit for 2013 remain outstanding.

Islandcraft (Barbados) Inc.

- 4.68** The principal activity of Islandcrafts (Barbados) Inc. is the sale and marketing of indigenous handicraft items. Islandcrafts reported that the audit of the accounts for the financial years ended March 31, 2008 and 2009 were submitted to the auditors. The entity has indicated that the audits of the accounts for the financial years ended March, 2010 to 2013 are outstanding.

National Conservation Commission

- 4.69** The principal activity of the National Conservation Commission (NCC) is the management, maintenance and development of the public parks, beaches and open areas of Barbados.
- 4.70** Audits of the accounts of the Commission have been completed up to the financial year ended March 31, 2010. The Commission has reported that the audit of the accounts for the financial year ended March 31, 2011 is in progress. The audits for the financial year ended March 31, 2012 and 2013 remain outstanding.



National Council on Substance Abuse

- 4.71 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.
- 4.72 The Council reported that the audit for the financial year ended March 31, 2010 is near completion. The audits for the years ended March, 2011, 2012 and 2013 are also outstanding.

National Cultural Foundation

- 4.73 The principal activities of the National Cultural Foundation (NCF) 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.
- 4.74 The Foundation has indicated that the audit of the accounts for the financial year ended December 31, 2010 was completed, but the accounts are still to be approved by the Board. The audits of the accounts for 2011 to 2013 are also outstanding.

National Housing Corporation

- 4.75 The National Housing Corporation is a state agency which has responsibility for the development of land and the construction of housing units for sale or rent to low and middle-income persons. The Corporation has reported that it is awaiting the audited accounts for the financial year ended March 31, 2011. The audit for the financial years ended March 31, 2012 and 2013 are also outstanding.

***National Productivity Council***

- 4.76 The principal activities of the Barbados National Productivity Council (BNPC) are: to create and develop methodologies for measurement, management and improvement in the public service and private sector, and to provide technical advice and assistance for devising productivity related payment schedules. The audit of the accounts for the financial year ended March 31, 2012 has been completed. The Council has reported that the audit for the 2013 financial year is in progress.

National Petroleum Corporation

- 4.77 The National Petroleum Corporation (NPC) has as its principal activity the supply of natural gas to industrial, commercial and domestic customers. The Corporation reported that it is working to complete the audit of the accounts for the financial years ended March 31, 2011, 2012 and 2013. It indicated that part of the delay was due to the difficulty experienced in receiving confirmation from the Ministry of Finance regarding funds received from that Ministry in 2010 – 2011,

National Sports Council

- 4.78 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 audit of the financial statements for the year ended March 31, 2012 has been completed. The accounts for the year ended March 31, 2013 are currently being audited.



Queen Elizabeth Hospital

4.79 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.

4.80 The audit of the financial statements for 2008 has been completed. The audits for the financial years ended March 31, 2009 to 2012 were reported to be in progress.

Rural Development Commission

4.81 The Rural Development Commission (RDC) was incorporated on August 21, 1995 under the Rural Development Commission Act, 1995-12. Its principal activity is to improve the quality of life of persons living in rural communities in Barbados.

4.82 The Commission reported that the audits of the financial statements for the years ended March 31, 2005 to 2007 have been completed. The audit of the accounts for the period 2008 - 2013 is outstanding.

Student Revolving Loan Fund

4.83 The principal activity of the Student Revolving Loan Fund (SRLF) is to assist in the educational process through the provision of loans. SRLF has reported that the audit of the accounts for the financial year ended March 31, 2011 has been completed. The audit for the financial year ended March 31, 2012 is in progress, while the audit for the year ended March 2013 has not commenced.



Technical and Vocational Education and Training (TVET) Council

- 4.84** 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.
- 4.85** The audit of the accounts for the financial year ended March 31, 2013 has been completed.

Transport Board

- 4.86** The Transport Board's principal activity is the provision of transportation to the general public. The audit of the accounts for the year ended March 2009 has been completed. The audits of the financial statements for the years ended March 31, 2010, 2011, 2012 and 2013 are outstanding.

Transport Authority

- 4.87** The secretariat of the Transport Authority has requested a deferral of the audit process for a period not exceeding four (4) months (from October 2013), in order to generate the necessary financial reports. The reason reported for the delay is the absence of an accountant at the Authority, compounded by serious budget cuts curtailing efforts to seek external assistance. The Secretariat reported that urgent steps were being taken to rectify the situation. The accounts of the Authority have not been audited for a number of years.



Urban Development Commission

- 4.88** 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 to individuals with small enterprises, and for assistance in house acquisition, repairs and improvements.
- 4.89** The audit of the accounts for the financial years ended March 31, 2008 to 2013 is outstanding.

Audits of Secondary Schools

- 4.90** 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 (6) months after the close of the financial year which ends on December 31. The status of the accounts of these schools at December 31, 2013 was as follows:
- 4.91** The audits of the accounts of the schools listed below have been completed for the financial year ended December 31, 2013. The accounts of these schools are therefore up-to-date as required by the Education Act.
- ***Alleyne School***
 - ***Daryll Jordan Secondary School***
 - ***Deighton Griffith Secondary***
- 4.92** The audits of the accounts of the following schools were not up-to-date as required by the Education Act.



- **Alexandra School**

4.93 The School has reported that the audit of the accounts of the Alexandra School for the financial year ended March 31, 2013 is outstanding.

- **Alma Parris Secondary School**

4.94 The audit of the accounts of the Alma Parris Secondary School for the financial year ended March 31, 2013 is reportedly in progress.

- **Christ Church Foundation School**

4.95 The audits of the accounts of the Christ Church Foundation School for the financial years ended March 31, 2011, 2012 and 2013 are outstanding.

- **Coleridge and Parry School**

4.96 The School has reported that audits of its accounts for the financial years ended March 31, 2012 and 2013 are outstanding.

- **Combermere School**

4.97 The audits of the accounts of the Combermere School for the financial years ended March 31, 2011, 2012 and 2013 are outstanding.

- **Ellerslie Secondary School**

4.98 The audits of the accounts of the Ellerslie Secondary School for the financial years ended March 31, 2010, 2011, 2012 and 2013 are currently outstanding.



- ***Frederick Smith Secondary School***

4.99 The audit of the accounts of the Frederick Smith Secondary School for the financial year ended March 31, 2012 has been completed. The audit for the year ended March 31, 2013 is outstanding.

- ***Graydon Sealy Secondary School***

4.100 The audit of the accounts of the Graydon Sealy Secondary School for the financial year ended March 31, 2012 has been completed. The audit for the year ended March 31, 2013 is outstanding.

- ***Grantley Adams Memorial School***

4.101 The audit of the accounts of the Grantley Adams Memorial Secondary School for the financial year ended March 31, 2012 has been completed. The audit for the year ended March 31, 2013 is outstanding.

- ***Harrison College***

4.102 The audits of the accounts of Harrison College for the financial years ended March 31, 2011, 2012 and 2013 are outstanding.

- ***Lester Vaughan School***

4.103 The Lester Vaughan School has reported that the audit of the accounts for the financial year ended December 31, 2012 has been completed but is still with auditors, while the audit for the year ended March 2013 has not commenced.



- ***The Lodge School***

4.104 The Lodge School has reported that the audit of the accounts for financial year ended March 31, 2013 is in progress.

- ***Parkinson Memorial School***

4.105 The audit of the accounts of the Parkinson Memorial School for the financial year ended March 31, 2012 has been completed. The audit for the year ended March 31, 2013 is outstanding.

- ***Princess Margaret Secondary School***

4.106 The audit of the accounts of the Princess Margaret Secondary School for the financial year ended March 31, 2012 has been completed. The audit for the year ended March 31, 2013 is outstanding.

- ***Queen's College***

4.107 The audit of the accounts of Queen's College for the financial year ended March 31, 2012 has been completed. The audit for the year ended March 31, 2013 is outstanding.

- ***Springer Memorial Secondary School***

4.108 The audits of the accounts of Springer Memorial Secondary School for the financial years ended March 31, 2012 and 2013 are outstanding. The School has reported that the Ministry of Education is currently in the process of assigning an auditor to the school.



- **St. George Secondary School**

4.109 The audit of the accounts of the St. George Secondary School for the financial year ended March 31, 2011 has been completed. The audits for the years ended March 2012 and 2013 are outstanding.

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

4.110 The audit of the accounts of the St. Leonard's Boys' Secondary School for the financial year ended March 31, 2012 has been completed, while the audit for 2013 is outstanding.

- **St. Michael School**

4.111 The School has reported that the audit of the accounts of the St. Michael School for the financial year ended March 31, 2013 is outstanding.

General Observations

4.112 The audits of a number of Government agencies are in arrears, and this must be of concern for Government. These agencies have received hundreds of millions of dollars and should have had their accounts audited annually as required by law.

4.113 The main reason for this state of affairs is the poor state of their accounts which prevents the submission of accounts for audit in a timely manner. These agencies, whose audits are in arrears, need to re-examine their accounting systems, processes and staffing to see how they can be improved.



- 4.114** The submission of accounts long after the due period often leads to problems in finalizing the audits. This is contrary to statutory requirements and can create an environment where fraud can thrive and remain undetected.



CHAPTER 5

Special Audit on the Land Acquisition Process in Barbados

Executive Summary

- 5.1** The Acquisition of Land Act, Cap. 228 authorizes Government to obtain privately owned land to fulfill a 'public purpose' or any purpose for which the Crown is authorized by any Act. Public purpose refers to a governmental action or direction taken to benefit the public at large. This includes such activities as road improvements, housing developments and the provision of recreational facilities.
- 5.2** The Act provides a number of legislative requirements that must first be followed by the Ministry of Housing, Lands and Rural Development (the Ministry) to transfer ownership of private land to the Crown. The Act also requires that land owners be compensated by the Crown for the land acquired.
- 5.3** The audit focused primarily on the acquisition of land for the five (5) year period April 1, 2008 to March 31, 2013. The audit objectives included ascertaining the factors which delayed the payment to persons whose lands were acquired and determining whether the process was managed in accordance with the Land Acquisition Act. The audit also sought to ascertain whether the outstanding liabilities were adequately recorded in the accounts of Government.
- 5.4** The audit revealed that at March 2013, Government's estimated liability to land owners was approximately \$157 million. This liability had



accumulated over a number of years and in some instances amounts were owing to land owners in excess of twenty (20) years.

- 5.5** There were certain factors that contributed to these delays, including protracted negotiations between the Government and the land owners on the price to be paid for the land acquired. This has a negative impact in terms of high interest charges on the outstanding amounts paid by Government.
- 5.6** Another significant issue was the unauthorized usage of private land by state agencies such as the Rural and Urban Development Commissions for road construction. These agencies unilaterally utilized private properties without notifying the Ministry. In some cases, persons were given some form of compensation but no action was taken to transfer the titles of the properties to the Crown. The utilization of private property by these agencies has resulted in a large number of persons being owed compensation by the Crown.
- 5.7** There are not adequate records of all land utilized and as a result significant surveys and other works would have to be conducted to determine the number of persons affected and the amount of land acquired. Based on the preliminary information available, hundreds of parcels of land have been utilized without compensation. Those persons authorizing such activity should be held accountable.
- 5.8** In order for the land acquisition process to be better managed, it would be necessary for the establishment of a tribunal with the authority to make binding decisions on the purchase price after the parties have reached an impasse.



Introduction

- 5.9** The acquisition process is regulated by the Land Acquisition Act, Cap. 228. The Act allows the Government to compulsorily acquire land by transferring ownership of the land to the Crown before compensating the land owner. It however provides stipulations that must be followed. The compulsory acquisition process includes:
- notifying the public of the Crown's intent to acquire the land;
 - assessing the value of the land as at the date the notification is made to determine the compensation due to land owners;
 - obtaining the approval from both Houses (the Senate and Parliament) for the acquisition of the land; and
 - issuing a public declaration that the land has been acquired for the purpose intended (Section 5 notice).
- 5.10** The Act also allows the Ministry to enter into negotiations with the land owner for the purchase of the land through private treaty. In either case, the Ministry must obtain the approval of Cabinet before the acquisition of the land commences.
- 5.11** The Ministry of Housing and Lands is responsible for acquiring private land required by the Crown. Funding is received annually from Government to facilitate the payment of the land owners. In the past five (5) years, the Ministry has paid in excess of \$27.4 million in compensation and has estimated that \$157 million is outstanding to land owners. In this



regard the audit sought to examine the factors contributing to the large amounts due to land owners.

Background

5.12 The acquisition of land is administered by the Ministry of Housing, Lands and Rural Development (the Ministry) and funded under the Land and Property Acquisition and Management Programme. The Administrative Unit and the Legal Unit of the Ministry have primary responsibility for initiating and completing the acquisition process. All Government agencies are required to submit requests for the approval of Cabinet when seeking to acquire land.

5.13 There are currently two processes used by the Ministry to acquire land, these are compulsory acquisition and private treaty. Details of these processes are as follows:

(a) Compulsory Acquisition

5.14 Compulsory acquisition is regulated by the Land Acquisition Act, Cap. 228. It is a two-fold process which entails the Ministry, with Cabinet's approval, taking possession of the land, and subsequently compensating the land owner for the property. The Ministry also seeks the comments of the Town and Country Development Planning Office to determine whether the land to be acquired is suitable for the purpose intended.

5.15 The land becomes the property of the Crown through the publication of a Section 5 Notice in the Official Gazette and daily newspaper. The date this Notice is published in the Official Gazette is recorded as the date the land



is transferred to the Crown as well as the date interest starts to accrue on the compensation.

5.16 After the Section 5 Notice is published in the Official Gazette, land owners are entitled to compensation. The Ministry enters into negotiations with the land owner by proposing an offer using the valuation submitted by the Land Tax Department.

(b) Private Treaty

5.17 Acquisition done by Private Treaty is the direct purchase of land from the land owner. This process entails the Ministry, after obtaining Cabinet's approval, entering into negotiations with the land owner by proposing an offer based on a valuation submitted by the Land Tax Department. This valuation is based on the market value of the land at the time of the acquisition. Once a price is agreed on, payment is made and the land is conveyed to the Crown.

Audit Objectives

5.18 The audit objectives were to determine whether:

- the policies and procedures related to land acquisition are clearly defined and followed;
- the land acquisition process facilitates the timely compensation of land owners;
- there is a process for determining the amount paid as compensation to land owners;



- funding is available to the Ministry of Housing and Lands to ensure that land owners can be compensated in a timely manner; and
- the compensation due is recorded as a liability in the accounts of Government.

Audit Scope

5.19 The audit focused primarily on the acquisitions of land by the Government of Barbados for the five (5) year period April 1, 2008 to March 31, 2013. This included lands used for road projects carried out by Government agencies.

Methodology

5.20 Interviews were held with personnel of the Ministry of Housing and Lands; the Deputy Chief Technical Officer of the Ministry of Transport and Works; personnel of the Urban Development Commission (UDC) including the Director; and the Director of the Rural Development Commission (RDC).

5.21 Files from the Ministry of Housing and Lands, the Ministry of Transport and Works, the Rural Development Commission and the Urban Development Commission were reviewed and analysed.

5.22 The Land Acquisition Act, Cap. 228, policies and relevant procedures were reviewed.

5.23 A Status of Land and Property Acquisition Report was reviewed and analysed.



Utilization of Private Property by Government Agencies in Contravention of the Land Acquisition Act

- 5.24** As part of the land acquisition process, the Ministry of Housing, Lands and Rural Development (the Ministry) is required to compensate land owners for properties acquired. Payment is made to the land owner after the necessary legal activities are completed. In managing this process, the Government needs to ensure that land owners are compensated within a reasonable time in order to minimize the cost to Government through interest and rising property values. In addition, the welfare of the landowners has to be taken into consideration.
- 5.25** The Ministry, as stipulated under the Land Acquisition Act, is the sole agency mandated to acquire lands required by the Crown. Government agencies seeking to utilize land for a 'public purpose' are required to send a written request along with a draft Cabinet Paper to the Ministry to initiate the land acquisition process which, on completion, will result in the land owner being compensated. This policy ensures that the Ministry has control over the process, and has a proper record of the lands owned by Government and the liability to land owners.
- 5.26** Although this policy is known by Government agencies, there were numerous instances where it was not followed. These are discussed below:
- (a) Ministry of Transport and Works (MTW)
- 5.27** Of a sample of thirty-five (35) acquisitions selected from the records of the Ministry of Housing, Lands and Rural Development (the Ministry), three (3) instances were found where the Ministry of Transport and Works (MTW)



utilised private land to carry out road improvements but failed to notify the Ministry. The Ministry only became aware of MTW's actions when the land owners sent written requests for compensation for the land used. It is at this point that the Ministry sought confirmation from MTW in order to start the acquisition process.

Ministry of Transport and Works Response

This Ministry would wish to point out that under the Highways Act, Cap. 289 the Minister of Transport and Works can utilise land for the widening of the highway and to pay compensation if necessary. While the Ministry readily admits that for new highways or highway development which would involve the acquisition of whole properties (i.e. land and structures) the Land Acquisition Act would be used, it has found that the Highways Act is more appropriate in cases where an existing road and only a portion of land is involved.

However the Ministry has taken cognizance of the conclusions and would endeavor to ensure that in future it does not breach the Act.

Audit Comments

5.28 Notwithstanding the Ministry's comments it is not clear what amount of land has been utilized by this Ministry over the years and the number of land owners who have not been compensated. Under such circumstances, the land owners can legally argue for interest in addition to compensation.

5.29 In addition, when land is utilized without the requisite approval, it will have to be acquired by private treaty. Early completion of these matters is



therefore critical to reducing Government's exposure to future increases in land prices.

5.30 The Ministry of Transport and Works needs to follow the correct procedures when private land is required and should promptly supply the Ministry of Housing with information on all outstanding claims.

(b) Rural Development Commission (RDC)

5.31 During the period 1997 to 2009, the Rural Development Commission (RDC) constructed approximately two hundred and ninety – one (291) roads. A sample of twenty (20) of these roads revealed that the RDC used private land to carry out its road projects, but did not liaise with the Ministry to acquire the land as required by the Land Acquisition Act. The agency admitted that compensation is outstanding to the land owners affected by its road projects. It also stated that the extent of the liability is currently unknown.

5.32 To rectify its actions, the RDC needs to seek funding from Government to survey the roads constructed in order to determine the number of land owners affected by each project, and the area of land used. This information must be submitted to the Ministry of Housing to start the process of compensating the land owners.

5.33 To date, the RDC has surveyed fifty-one (51) of the roads it constructed. Information for six (6) of these roads was sent to the Ministry to facilitate the process of compensating the land owners. The agency has estimated that it would cost approximately \$35,000 to \$85,000 per road (\$8.4 million to \$20.4 million in total) to survey the land used for the remaining road projects. The agency stated that \$1.5 million is requested annually in the budget to facilitate this process, but this amount has not been provided.

**The Comments of RDC**

The Commission will draw the attention of the Ministry of Housing, Lands and Rural Development to this matter with a view to resolving the issue of funding for the surveying of the pieces of land used for road construction.

This matter, it must be admitted, was not treated with the urgency it deserves and those responsible for this situation are no longer with the Commission.

However, every effort will be made on the part of the Rural Development Commission to resolve this issue. In the meantime the Commission has identified the remaining roads that need to be surveyed and will seek guidance and assistance of the Ministry of Housing, Lands and Rural Development

Audit Comment

- 5.34** The RDC in constructing roads proceeded to utilize private land without following the correct procedures. The Commission should have been aware of the procedures involved in acquiring private land; persons responsible for this situation should be held accountable for their actions.
- 5.35** Furthermore, land owners have been deprived of the use of their land and are still required to pay taxes for the part of the land taken up by the agency. Compensation to these owners does not appear likely to be available in the near future.



(c) Urban Development Commission (UDC)

5.36 The Urban Development Commission (UDC) constructed over two hundred and twenty-five (225) roads from its inception in 1997. A sample of twenty (20) of these roads revealed that the UDC used private land to carry out its road projects and proceeded to compensate land owners, but formal acquisition of the properties did not take place.

5.37 This agency has adopted its own approach to access land to construct roads but this is contrary to the provisions of the Land Acquisition Act. This process entailed:

- obtaining the permission from land owners to use their land to construct the roads;
- hiring a private valuer to assess the value of the land utilised;
- sending a written offer to the land owner based on the valuation submitted by the private valuer;
- making payment once the offer is accepted and proof of ownership is provided; and
- giving the land owner a residual plot plan when payment is made.

5.38 The Ministry was not involved in this process and has no record of the land used by this agency, the compensation paid, or any liability to the land owners affected by UDC's road projects.



(d) Transfer of Land to the Crown

5.39 It should be noted that there was also no transfer of title of the land utilized by the UDC to the Crown. Transfer of Title is a legal process which must be carried out to ensure that ownership of land has been passed from one party to the next. This process would now have to be undertaken for the eighty-two (82) land owners who have received compensation, as well as for those still to be compensated.

(e) Compensation Paid by the UDC to Land Owners

5.40 The UDC has paid land owners for land used but the land has not been acquired as stipulated by the Land Acquisition Act. At July 2013, the UDC indicated that in excess of \$1.1 million was due to land owners. This figure however related to compensation outstanding for forty-six (46) roads built during the period 2007 to 2013. The UDC could not provide information on whether compensation was paid or outstanding for the one hundred and seventy-nine (179) roads constructed prior to 2007. This places the UDC in a similar position to the RDC, in that the roads built would have to be surveyed to determine the extent of its liability to the land owners. Currently, this process is mainly carried out when a request is made for compensation by a land owner.

Audit Comment

5.41 The UDC had no authority to acquire the land or to compensate the land owners except under the terms outlined in the Land Acquisition Act.



- 5.42 This action has exposed Government to the risk of litigation by the land owners since the action was not protected by the Act. It has also resulted in a large contingent liability being established. Given the amount of land used for which the Ministry has no record, Government's current liability to land owners is significantly understated.

Absence of Sanctions on Government Agencies

- 5.43 Although the Land Acquisition Act clearly requires that private land which has to be used by the Crown should be acquired by the Ministry, there is no sanction imposed on Government agencies using land without following the correct procedures. There was no evidence that action was taken to ensure that these agencies desist from using private land without the relevant authorisation.

- 5.44 This issue needs to be addressed; if Government agencies continue with this practice, Government will always find itself heavily indebted to land owners, some of whom will take legal action to address the issue. In addition, land owners will continue to be disadvantaged.

Audit Comment

- 5.45 Although there is legislation which outlines the process for land acquisitions, there were no sanctions in place to deter these agencies from utilizing private land without the requisite approval. This subsequently led to the Rural and Urban Development Commissions disregarding set procedures. These agencies have also exposed Government to significant financial and legal risks.



Factors Delaying the Land Acquisition Process and Accounting for Compensation

Lack of Timeframes to Acquire Land and Compensate Land Owners

- 5.46** Section 7 of the Land Acquisition Act stipulates that, within three (3) months after entry has been made on the land after the publication of the Section 3 Notice (first notice), the land owner can request the Ministry to either complete or abandon the acquisition of his/her land. Within one (1) month thereafter and the acquisition has not been completed, the acquisition can be deemed to have been abandoned. This places a time limit on the Ministry to complete acquisitions within four (4) months of the publication of the Section 3 Notice; but it is dependent on the land owner exercising the provision in the Act.
- 5.47** Significant time is taken to compulsorily acquire land and to complete the compensation process. Of a sample of thirty-five (35) acquisitions reviewed, sixteen (16) were done compulsorily. Of eight cases, between one (1) and four (4) years have passed since the Section 3 Notices have been issued and the land is yet to be transferred to the Crown in order to commence the compensation process.

Causes of the Delays in the Process

- 5.48** It should be noted that the compulsory acquisition of land is a step-by-step process which requires the prompt execution of procedures to ensure it is completed within a reasonable time. Delays encountered in carrying out a particular procedure in the process will impact on the progress of the acquisition. Such factors as reprinting of Section 3 Notices, amendments



to Cabinet Papers, Notices, etc., and untimely responses from Government agencies were impeded by the land acquisition process in the sample reviewed.

- 5.49** An interview held with personnel from one of the Government agencies, the Lands and Surveys Department, revealed that the lack of information to prepare the survey plans and descriptions, and difficulties encountered in finding boundaries sometimes prevented it from responding to the Ministry's request within a reasonable time. In the sample reviewed, information was submitted by this Department between three (3) months to two (2) years after the Ministry's request was made. There were two (2) instances where the acquisition process has been stalled over two (2) years because the Ministry was awaiting survey plans from the Lands and Surveys Department.

Impact of the Delays on the Land Owner and Government

- 5.50** Evidently, land owners are the ones being most disadvantaged when a prolonged period is taken to complete the acquisition process. This is because the land owner is deprived of the right to use the land from the time the Crown indicates its intent to acquire. In addition, it delays the process of compensating the land owner, as this cannot commence until the land is vested in the Crown. In this regard, the land owner is without both the use of the land and compensation.
- 5.51** The Ministry is also at a disadvantage as the land owner can request interest from the date of the publication of the Section 3 Notice. This can be costly to Government especially in cases where excessive time was taken to issue the Section 5 Notice which transfers the property to the Crown.



5.52 It is therefore essential that the compulsory acquisition process is completed within a reasonable time to ensure land owners are not without the use of their property or compensation; and that the Ministry avoids undue interest cost.

Lengthy Negotiations

5.53 In order for a land owner to be compensated, the Ministry and the land owner must reach a settlement on the price for the land. The timely completion of this process is necessary to ensure that both the interests of Government and the land owner are protected. Audit inquiries found that protracted negotiations between the Ministry and the land owners delayed the compensation process and often resulted in Government incurring significant cost due to the accumulation of interest charges. The land owner was also inconvenienced as he/she was deprived of the use of the property and compensation. Factors such as the unwillingness by the land owners to compromise, and litigation contributed to the delays.

Examples are as follows:

(a) Compensation for Land at Cottage, St. George

5.54 In March 2003, the Ministry compulsorily acquired 4.58 hectares of land at Cottage, St. George. Over ten (10) years have passed and the Ministry has not commenced negotiations with the land owner. The Ministry has been awaiting the subsequent approval of the Minister responsible for Town Planning for the change of use of the land in order to commence negotiations.



5.55 The land was acquired for housing development, road improvement and the provision of a public access. However, approval sought from the Chief Town Planner for the change of use of the land from agricultural to housing development was refused. The recommendation was subsequently appealed and a decision is being awaited from the Minister responsible for Town Planning.

Audit Comment

5.56 It has been over ten (10) years that this matter has been receiving the attention of Government, and to date there is still uncertainty as to when it will be completed. Given the time that has elapsed, Government will incur significant interest charges. It is therefore imperative that the necessary action is taken on this matter to avoid greater cost to Government.

(b) Compensation for Land in St. Philip

5.57 In July 2010, the Ministry compulsorily acquired 125 hectares of land in St. Philip and made an offer which was rejected by the land owner who subsequently took the matter before the Court.

5.58 At the time of the audit, no decision had been made. As a result, the matter of compensation remains outstanding resulting in the accrual of interest of 6% annually from the date the Section 5 Notice was published until payment is made to the land owner. However, the Ministry can pay the compensation to the Court to cease the accumulation of interest. No such action has been taken and hence Government will continue to accrue interest charges from the date of compulsory acquisition until the payment is made.



(c) Compensation for Land at Six Men's, St. Peter

5.59 In December 1997, the Ministry compulsorily acquired 116,168 and 3,033 square meters of land at Six Men's, St. Peter. The land owner, in February 1998, claimed compensation of \$75 million for the land but objected to the acquisition. In this instance, over sixteen (16) years have passed since the land was compulsorily acquired, and the matter of compensation has not been resolved. This matter is still before the Court of Appeal.

The Role of the Standing Valuation Committee

5.60 A committee, called the Standing Valuation Committee, was set up to review Government's offer if a settlement cannot be reached between the Ministry and the land owner. The Committee, which is made up of officers from the Ministry of Housing and Lands, the Land Tax Department, along with the Chief Surveyor, does not have the power to arbitrate or determine the final offer to land owners. Its role is to examine Government's offer in relation to the land owner's asking price and make a recommendation to the Ministry of Housing and Lands. The Permanent Secretary determines the final offer to be proposed to the land owner, which may not coincide with the Committee's recommendation.

Audit Comment

5.61 The Standing Valuation Committee in its current role does not safeguard against extensive delays in the negotiation process. It would be more useful to have a tribunal to adjudicate in disputes, and its decisions should be binding on the parties.



Inadequate Information System to Monitor the Land Acquisition Process

- 5.62** The Ministry does not have the relevant information systems in place to facilitate the monitoring and tracking of land acquired. There is no centralised database to record information on the private land acquired, the stages of each acquisition, the compensation paid or payable, the interest accrued on outstanding amounts and the purpose for which the land was acquired. This information is essential for the Ministry to adequately manage the process.
- 5.63** The current system is deficient as it makes the Ministry highly susceptible to aspects of acquisitions being overlooked, information being mismanaged (e.g. misplaced files), and poor administration of the land acquisition process. This in turn creates delays in the processing of land acquisitions and the compensation of land owners.
- 5.64** During the course of the review, the Ministry was not in a position to determine the amount of land acquired, the compensation paid on each acquisition or Government's liability to land owners for specific time periods.

Accounting for Compensation due by the Government

- 5.65** From the financial year 2007-2008, the Government of Barbados has recorded its accounting transactions on an accrual basis. Accrual accounting is a method used to recognize financial transactions at the time they occur rather than when payment is made (or received). Prior to the financial year ended March 31, 2013, there was no evidence that the Ministry was making provisions in the accounts for liabilities due as a



result of Government's land acquisition process. From that financial year, the Ministry has implemented a policy to record this contingent liability.

- 5.66** The accounting policy entails the Ministry recognizing the amounts due as a contingent liability as at the date the Section 5 Notice is published in the Official Gazette, in the case of compulsory acquisitions, and recorded at the value provided by the Land Tax Department. No point of recognition was established for private treaty acquisitions. These were paid as they were completed.
- 5.67** As at March 31, 2013, the Ministry recorded that it owed compensation at one hundred and twelve (112) locations and reported approximately \$157 million as its contingent liability.

Conclusion

- 5.68** The method of negotiation used by the Ministry to determine compensation needs to be better managed to ensure the interests of Government and the land owner are protected. Measures to ensure that Government minimizes its payment of interest; and establishing a tribunal to adjudicate disputes, are required to ensure the land acquisition process is efficiently managed.
- 5.69** The timely payment of compensation to land owners is also critical to the successful administration of the land acquisition process. Hence, it is imperative that the funding received by Government annually allows the Ministry to pay the compensation when due. The current system used however does not allow the Ministry to adequately determine the compensation outstanding at the end of each financial year.



5.70 The Ministry has started to account for its liability from the financial year ended March 31, 2013 and has estimated that Government owes \$157 million to over one hundred and twelve (112) locations for land acquired. However, this does not include compensation due to land owners whose property has been utilised by the Urban Development and Rural Development commissions.

5.71 **It is recommended that:**

- The Ministry adopts a comprehensive database system to facilitate the proper monitoring of all land acquisitions.
- The management of Government agencies ensures that the correct procedures are followed when land is required for a public purpose. This would protect Government from undue financial and legal risks.
- Those Government agencies that proceed to utilize private land without the requisite approval be held accountable for their actions.
- The Ministry put stipulations in place to ensure that compulsory acquisitions are completed within a specified time. This would ensure that land owners are not placed at a disadvantage; and promote efficiency.
- The Ministry reviews the role and composition of the Standing Valuation Committee in relation to the adjudication of compensation disputes. The decisions of this Committee, which should be independent, should be binding on the parties.



- In addition, stipulations should be put in place to control when negotiations are referred to the Committee for review. This would minimize the amount of time taken to reach a settlement and allow better control over the compensation process.
- The Ministry liaises with Government agencies to ascertain land utilised without its knowledge and seek to regularize these situations.



CHAPTER 6

Special Audit Report on Illegal Occupation of Crown Lands

Executive Summary

- 6.1** The purpose of this audit was to determine the extent of squatting on Crown lands including highways, its overall impact, and the extent of the measures that have been taken against this activity. Squatting in the context of the Report relates to the unauthorized occupation of Crown land i.e. without the legal authority of the Ministry of Housing, Lands and Rural Development or any of the other Government agencies with responsibility for Crown properties. In addition, to the illegal occupation of crown lands there is also the issue of building structures without permission of the Town and Country Planning Department.
- 6.2** The responsibility for Crown lands is shared between a number of Ministries and Departments. These include the Ministry of Housing and Lands which has responsibility for the acquisition, vesting, leasing and renting of Crown lands, and the Chief Technical Officer who has the responsibility to ensure that the Highways of Barbados are used in the correct way and are free of encroachments. The Chief Town Planner has responsibility for granting permission for development.
- 6.3** Squatting on crown lands is quite extensive and is expanding. It has been a part of the Barbadian landscape for some time. It is estimated that there are hundreds of these illegal structures in a number of locations across the country. The areas where squatting exists on Crown lands include the Belle, My Lord's Hill; Howells + Ivy; Bath Tenantry, St. John; Six Men's, St. Peter; and Licorish Village, St. Michael. The amount of land the



squatters currently occupy has not been surveyed so there is no clear indication of the acreage occupied.

- 6.4** In addition to the use of state land for housing, areas adjacent to highways are being used illegally for vending of bread, eggs, coconuts etc. This practice is growing and often impedes pedestrian passage along footpaths and sidewalks. It also encroaches on areas set aside for motorists to pull off the main carriage way when experiencing difficulty, or required to stop for an emergency. The use of sidewalks and carriageways to sell items is contrary to the Highway Act, Cap. 289 and these areas should not be used unless there has been permission obtained from the Chief Technical Officer in the Ministry of Transport and Works.
- 6.5** Squatting on Government property is a costly exercise to Government and, in some instances, threatens the quality of the underground water supply. This is especially so in the Belle Zone 1 area where there has been the infusion of nitrates and bacteria into the water supply. To stop further deterioration in the quality of the water supply, the Consultants have recommended the building of a Reverse Osmosis Plant which was estimated to cost BDS\$50 million in 2001.
- 6.6** In order to resolve the squatter issue, considerable resources will be required to relocate or provide infrastructural works on properties occupied by squatters.
- 6.7** When persons illegally occupy Crown lands it is the responsibility of the Ministry of Housing to ensure that the squatters are informed and removed as expeditiously as possible. The Ministry has several options at its disposal to remove squatters. These include the issuing of notices requesting that the offending person remove their possessions or the taking of legal action in the courts if there is no compliance with the



requests. The Ministry has also sought to regularize the situation by offering squatters the opportunity to purchase or rent the areas which they have been occupying and this is particularly so in Bath Tenantry, St. John where there is an extensive squatter community. There has however been a disappointing response to the Ministry's initiative.

- 6.8** The Ministry has requested a number of persons to vacate state property over time, but this action has not been successful as the squatter community has been growing. There is no evidence that any legal action has been taken to remove squatters. The records indicate that there has not been enough monitoring of the situation.
- 6.9** Recently the Ministry of Housing and Lands issued a number of notices against persons who are illegally using Crown lands for business. These measures have yielded mixed responses. Some persons who were issued notices continue to operate, whereas others have asked for additional time to relocate.
- 6.10** In an effort to prohibit the building of structures on state property without planning permission, the Chief Town Planner has served Enforcement Notices on a number of the squatters. The Enforcement Notice gives the occupier or owner of land twenty-eight (28) days to carry out the instructions to halt the illegal development and revert the land to its original state. Measures to curb illegal squatting such as Enforcement Notices and Notices to Quit have not been effective.
- 6.11** Squatting is now an entrenched part of the Barbadian landscape with the state agencies seemingly powerless or unable to contain the problem. The Ministry of Housing needs to conduct a survey to ascertain the full extent of the problem. There also needs to be a better understanding of what is



causing this phenomenon and the type of initiatives that can be taken to curtail it. Once decisions are made by the relevant authorities they should be implemented and the outcomes effectively monitored.



Introduction

- 6.12** Squatting and illegal use of Crown lands are practices where persons use Crown lands without the permission of the Government agency and have no legal title to it. Under Section 25 (2) of the Limitations of Actions Act, 1997-11 provision is made for the Crown to take action to recover any of its land illegally occupied for a period of less than thirty (30) years.
- 6.13** Individuals have been using Crown lands illegally for housing and conducting business activities such as vending, and advertising without the expressed approval of the Ministry of Housing and the Chief Technical Officer, who have responsibility for Government property under the laws of Barbados. This review looks at the extent of and challenges faced by state agencies as it relates to illegal occupation of Crown lands during the period April 1, 2003 to March 31, 2013.

Audit Objectives

The objectives of the Audit were to:

1. ascertain the level of illegal occupation on Crown lands;
2. assess the impact of the illegal occupation on the environment;
3. determine the action taken to ameliorate the situation;
4. determine the effectiveness of enforcement action.



Audit Scope

- 6.14** The audit covered areas affected by squatting which included Belmont, Licorish Village; the Belle, My Lord's Hill; Howell's + Ivy, St. Michael; Six Men's Tenantry, St. Peter; Emmerton Lane, the City; and Bath Tenantry, St. John. The review also examined the illegal use of Crown lands along the highways.

Methodology

- 6.15** During the audit information was collected through:

- interviews with Ministry of Housing personnel: Permanent Secretary, Chief Property Manager and the Chief Housing Planner or representatives;
 - interviews with the Chief Town Planner;
 - interview with the Chief Technical Officer (MTW);
 - interview with the Senior Medical Officer of Health;
 - analyzing the reports from the Ministry; and
 - reviewing the procedures taken to address squatting.

Squatting on Crown Lands

- 6.16** Based on information from surveys conducted by the Ministry of Housing there are hundreds of illegal structures on Crown lands. These structures also lack planning approval from the Chief Town Planner. These



structures are located in a number of areas which include: the Belle, My Lords Hill, Howells + Ivy, Licorish Village and Belmont; Six Men's Tenantry, St. Peter, Bath Tenantry, St. John; Emmerton Lane, St. Michael. The detailed findings on the squatting areas are as follows:

(a) Howells + Ivy, Belmont and Licorish Village, St. Michael

6.17

In 2003 and 2007 the Ministry of Housing and Lands conducted social surveys in sensitive areas occupied by squatters to determine the extent of squatting and the economic status of the squatters. These surveys were done in the following areas: the Belle, Howell + Ivy, Belmont (North/East of the School Pasture) and Licorish Village. These sites are located in the Zone 1 Protection Area. The survey found seventy-seven (77) structures: thirteen (13) structures under construction; forty-six (46) houses occupied and one (1) excavation for the purpose of housing construction. Since this survey was conducted, squatting on Crown lands in this area has increased significantly. For example, that area of land that runs from east to west from the perimeter of Blenheim B playing field to the main road on Howell + Road, which is owned by the Crown, is now occupied by a number of timber structures, which was not the case at the time of the survey.

(b) Six Men's, St. Peter

6.18

The Crown compulsorily acquired 119,200 square meters of land at Six Men's, St. Peter in 1997. Since then, significant development by private individuals has taken place without permission from the Ministry of Housing and the Town and Country Planning Department. There had



been evidence of squatting within Six Men's tenantry dating back to the mid 1980's. Squatters now make up the majority of the community.

6.19 A survey conducted by the Ministry of Housing in 2001 revealed the presence of one hundred and seventy (170) structures within the tenantry. This information is outdated as this community has grown considerably since the survey. In addition to private individuals, a private company has also occupied approximately 30,000 square feet of the property in the constructing of a marina.

(c) Bath, St John

6.20 Squatting on Crown land at Bath, St. John is concentrated in the area of the Bath Tenantry, Welch Town. In February 2009 there were one hundred and fifteen (115) structures and five (5) agricultural holdings on Crown lands in this area. Approximately twenty-five (25) of these are squatters. The Ministry has acknowledged that there is the likelihood that additional buildings were erected since the last survey.

(d) Emmerton Lane

6.21 In 2005 the Ministry of Housing conducted a social survey of the residents of the Emmerton Lane to identify the remaining residents to transfer from around the Bridgetown Sewage Plant. This was in response to the Barbados Water Authority request for a survey, after receiving complaints from residents of an offensive odor emanating from the Plant. During the survey it was discovered that areas previously cleared of residents in the 1990's were now re-occupied by nineteen (19) squatters.



(e) Occupation of Land Around Highways and Car Parks

6.22 The Chief Technical Officer has the power under Cap. 289 of the Laws of Barbados, to take action against persons encroaching upon any Highway. It was observed that a number of individuals have been using the verge of the road for vending and advertising which is illegal. The following areas are used by persons for vending and advertising various commodities on Crown lands:

Table 1
Vending and Advertising Areas

Vending Areas	Advertising Areas
ABC Highway West of Warrens Roundabout	ABC Highway Norman Niles Roundabout
Charles Duncan Bridge	Garfield Sobers Roundabout
ABC Highway Henry Forde Roundabout	Area of land East of the Ministry of Housing and Lands
Weston Fish Market	
Cameron Tudor Roundabout	
Halls Road	
Weston Car Park	

Impact and Consequences of the Illegal Squatting

6.23 The illegal construction of houses on Crown lands, especially in Zone one areas, can have serious economic and environmental consequences. In 2001 the Barbados Water Authority requested that a consulting firm carry out a review of the water quality coming from the Belle area. The Consultants reported that the high bacteriological levels detected in the water supply at the Belle originated mainly from the surrounding areas. This included the South and Northwest of the Ivy where squatters had



erected illegal structures. The main contributors to the deterioration of the water quality were said to be from fertilizers containing nitrates, high levels of animal excretions and human sewage being disposed directly on lands and into soak-away pits.

- 6.24** In order to protect the underground potable water in Zone 1 areas from contamination, certain protocols were established. These included prohibiting housing development over the underground aquifers. Where housing development is permitted, it must be set back from the area. These protocols have been breached at the Belle as a result of the squatting activity.
- 6.25** The Belle aquifer accounts for about 30% of the supply of the island's potable water. In recent times, however, the level of nitrates at this source has risen close to the World Health Organization's threshold and requires close monitoring to ensure that internationally acceptable standards are maintained. It would be expected that the matter of the monitoring of squatters should be an ongoing process as this would provide the Ministry with up-to-date information on the problem.
- 6.26** In 2009 a private firm developed a marina on part of land compulsorily acquired by the Government for housing at Six Men's. The Company had informed the Ministry of Housing and Lands in 2011 that before commencement of construction of the Marina, it had reached an agreement with a family occupying the property to acquire a section of the land.
- 6.27** The Permanent Secretary of the Ministry of Housing and Lands informed the company that the land was owned by the Crown but there was a Court of Appeal case against the Government by the former owners. The Permanent Secretary informed the Company that subject to the favourable



outcome of this case it would grant it a license for that portion of the compulsorily acquired lands it was occupying. The occupation and utilization of land at Six Men's, St. Peter for a marina by the private developer is not in keeping with the public purpose for which it was compulsorily acquired. Parliament approved the compulsory acquisition of this land for housing development. It is quite a bold move by the company to occupy and develop land which it does not own.

Obstructions of Carriageways

- 6.28** The verge of the Highway is intended for motorists to pull over when encountering difficulties on the main carriage ways and is not intended to be a market place. However, there is currently some vending taken place there. No permission was given by the Chief Technical Officer for persons to engage in vending along Highways or sidewalks. This action impedes pedestrian passage along footpaths and sidewalks and can obstruct cars that need to make emergency stops along the carriageways and highways.

Financial Cost to Government

- 6.29** The illegal occupation of Crown Land has resulted in some financial costs to Government. This includes the relocation, from Emmerton Lane, of squatters who had reoccupied areas for which Government had already compensated the previous owners. In addition, the Government in 2007 approved a reverse osmosis plant for the Belle at an estimated cost of \$50 million, for the purpose of treating the water supply which is under threat. There is also likely to be a considerable infrastructure and surveying cost



in the relocation or development of the various squatter communities across the Country.

Extent of Enforcement and Other Measures

Ministry of Housing

- 6.30** When squatting occurs on any Government land the Ministry of Housing has responsibility for the removal of such individuals. There is however no evidence that this matter has been forcefully addressed by this Ministry. There have not been any recent surveys to determine the full extent of the squatting or any evidence that there are periodic reports on state properties in the areas known for squatting. There have been a number of notices asking persons to remove their illegal structures but little follow-up activity on these notices.
- 6.31** The Ministry has relocated a few structures from zone one areas. Seven of these were transferred from the Belle to lots at Cutting Road, St. Michael because they were deemed to be a threat to the water supply. Also between 2008 and 2010 the Ministry of Housing relocated persons from Emmerton Lane to Barbarees Hill. Among these were squatters who were residing in the area for less than ten years. They were transferred to terraced units with an option to purchase.
- 6.32** In 2007 approval was given to the Ministry of Housing and Lands to identify the major areas of squatting in Barbados and give priority to those which required immediate Government action. The areas identified were Belleview, Waterford, St. Michael and Rock Hall, St. Phillip (private



- 6.33** properties), and the Belle, St. Michael. It was decided that those squatters with an income of less than \$15,000.00 per annum were to be relocated to lands provided by the National Housing Corporation. Persons with incomes of over \$15,000.00 were to be referred to the private sector for solutions. The Corporation identified four sites where eighty units would be provided for squatter resettlement. However there is no evidence that action has been taken as requested to relocate the squatting community.
- 6.34** At Bath Tenantry, St John, one of the largest Government owned tenancies, it has been agreed by the Government that a section of squatter settlements presented a good case for regularizing because, among other things, the houses were well built and the necessary services were in place.

Action taken by the Chief Town Planner

- 6.35** The Chief Town Planner has authority under the Town and Country Planning Act, Cap. 240 to serve enforcement notices on the owner of the land and the occupier for erecting of structures without planning permission. An occupier of an illegal structure when served with an Enforcement Notice has twenty eight (28) days within which to apply to the Chief Town Planner for permission to retain the structure. The Chief Town Planner will then make a decision as to whether the property can be retained.
- 6.36** Between 2007 and 2008 the Chief Town Planner issued a total of thirty-two (32) Enforcement Notices against the Owner of the property (the Crown) and the occupiers of the structures at Howell's + Ivy. The information provided on squatting in this area is outdated and the Ministry



needs to carry out a survey to obtain a more up-to-date assessment of the extent of squatting.

6.37 The following table gives an indication of the extent of Enforcement Notices served by the Chief Town Planner on structures which were in violation of the Town Planning regulations:

Table 2
Enforcement Notices Served

Location	Number of structures Against which Enforcement Notices were Issued	Date of Enforcement Notice
Howell's & Ivy, St. Michael Area East of Blenheim	2	July 24, 2007
	25	August 23, 2007
	5	December 2, 2008
Bath Plantation, St. John	23	March 24, 2006
Six Men's	2	April, 2004,
Weston St. James	1	February 6, 2006
The Belle	17	March 17, 2011 and June 26, 2009

6.38 It should be stressed that the Chief Town Planner's role is to ensure that any development that takes place has the required planning permission. A number of structures in the areas where squatting occurs do not have planning permission, and the owner (the Crown) and occupiers have therefore been served with enforcement notices. These notices did not have the desired impact and in a number of cases no follow up action has been taken by the Chief Town Planner.

6.39 The lack of activity to remove squatters is influenced by a number of factors:

- In some cases the Cabinet has indicated that the Ministry of Housing should facilitate squatters in seeking solutions in the private sector



and as a result the Chief Town Planner has halted proceedings against the squatters.

- Some squatters at Bath Plantation have applied to retain their structures in response to the Enforcement Notices issued in 2006. The Chief Town Planner is awaiting the position of the Ministry of Housing and Lands on whether it will give planning permission to the squatters to occupy lands on which they have erected structures.
- The Chief Town Planner is constrained by Section 25 (8) of the Act from enforcing an order where it will result in displacement of persons and where there is no other accommodation suitable to the reasonable requirements of those persons. Therefore, before any enforcement activity takes place the Chief Town Planner must be assured that the persons whose homes are to be demolished have someplace to which they can relocate.
- The law also limits the Chief Town Planner to a four (4) year period starting from the date of commencement of any development within which to issue an Enforcement Notice. This means that if the Town Planning Department does not issue the Enforcement Notice within four (4) years of the erection of any illegal structure the law does not allow it to do so after this period. It should be noted that a large number of persons have been squatting for in excess of four years.

Chief Town Planner Response

The aquifers are protected by a decision of Cabinet which prohibits any new development within any area designated as zone one of the water protection area. Housing development is allowed for existing residences



which were on location prior to 1973 and the structure must remain as a single family unit.

The CTP has never allowed Section 25 (8) of the Act to prevent the execution of an enforcement notice especially where sensitive areas are under threat. However in some instances where enforcement notices have been served on Occupiers Without Title (OWT) there has been intervention by the political directorate not to enforce the notices. For example, the development at Rockhall, St. Philip which poses a threat to the operations at the Grantley Adams International Airport, the CTP was advised that the then Ministry of Housing and Lands would have acquired lands nearby to relocate those persons who constructed residences without planning permission. Based on that information the enforcement notices were held in abeyance

Regarding assistance from the Ministry of Housing and Lands the CTP is of the view that the ministry could have offered greater assistance over the years. Maybe if greater assistance had been given the situation would not have reached the level that obtains today. However, one should not discount the role played by the former Ministry of Social Transformation in facilitating the process especially at Belleview Gap, Waterford and Blenheim, Ivy, St. Michael.

Assistance to Squatters by State Agencies

- 6.40** The squatters have been assisted by various Government agencies. For example, the National Petroleum Corporation facilitates the provision of water to residents of the Belle. The Ministry of Social Transformation provided upgrades to housing units and the Ministry of Health provided upgrades to toilet facilities.



Joint Action Against Illegal Occupation of Crown Lands

- 6.41** The Chief Technical Officer (MPW) hosted a meeting on June 11, 2013 with a number of state agencies to discuss the illegal occupation of Crown lands by private individuals. At that meeting the Ministry of Housing, Lands and Rural Development agreed to take ‘enforcement action on Crown lands, this included vending along highways/roadway.’
- 6.42** During the period April to September 2013, the Chief Property Manager of the Ministry of Housing, Lands and Rural Development served a number of Government Notices on individuals who were occupying Crown lands. They were given seven (7) days to respond to the Chief Property Manager after receiving the notice. A number of them responded and asked for the period to be extended.

Conclusion

- 6.43** The illegal occupation of Crown lands is growing in a number of areas. This action is not condoned by Government. However, it continues to be a challenge for those Government agencies responsible for land use and development. Suggestions have been made on how to tackle the problem. These include relocation and the construction of a reverse osmosis plant to avoid water pollution in the Zone 1 area. These ideas are however very costly to implement and their implementation is likely to send signals to the squatter community that this activity will be tolerated.
- 6.44** There is no evidence that effective action has been taken by state agencies to deter squatting, or that this practice has engaged their attention in a systematic manner.



- 6.45 This squatting situation also shows up the limitations of the Chief Town Planner who can serve enforcement notices, but this action has not resulted in the removal of the illegal structures. When the Notices are ignored the Chief Town Planner is not in any position to enforce them because of restrictions imposed by the law and the lack of cooperation from the Ministry of Housing and/or other state interventions.
- 6.46 The current ten dollars (\$10) fine for using the road reserve located along the Highways for vending and advertising are too insignificant for Government to achieve its objective, and deterring persons from using these areas for purposes for which they were not intended. But even if the penalties are increased they will be useless unless they are enforced.
- 6.47 A situation that must be closely monitored is where residents have been removed from a site for a public purpose and relocated to another area. After several years Government is saddled with the burden of having to clear the same site again of squatters at tax payers' expense. This happened at Emmerton Lane in the City in 2005.
- 6.48 While persons are illegally occupying Crown lands, legitimate applicants to the National Housing Corporation have to stand in line and await their turn, often for many years.
- 6.49 **It is recommended that:-**
- (i) **The Laws against illegal occupation of Crown lands is enforced.**
 - (ii) **Further attempts are made to implement the decisions made by the Cabinet.**
 - (iii) **Crown lands are policed on a regular basis and prompt action taken to curb the spread of unauthorized development.**



- (iv) **Once Crown lands have been cleared of squatters, measures are taken to prevent any further illegal occupation and development.**
- (v) **An up-to-date survey is carried out by the Ministry of Housing to determine the extent of squatting on Crown lands.**
- (vi) **The reasons for the increase in squatting are ascertained so that Government can adopt the correct strategy in combating the phenomenon.**
- (vii) **Cost benefit analysis is undertaken on the Reverse Osmosis Plant.**