
OFFICE OF THE AUDITOR GENERAL



Report Of The
Auditor General

Of The Commonwealth Of
The Bahamas

2016

**For The Year
July 1, 2015 — June 30, 2016**



OFFICE OF THE AUDITOR GENERAL
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DAG/T.3/2016/049

Reference No.....

May 23, 2019

The Honourable Speaker
Mr. Halson Moultrie
House of Assembly
Nassau, Bahamas

Dear Sir:

In accordance with Article 136(4) of The Constitution of The Commonwealth of The Bahamas, I have the honour to submit my report on the audit of the accounts of The Government of The Commonwealth of The Bahamas for the year ended June 30, 2016.

Sincerely,

Terrance S. Bastian (Mr.)
Auditor General

TSB/slt-h

MEMORANDUM**MINISTRY OF FINANCE**

**To: Auditor General
Office of the Auditor General
Nassau, Bahamas**

Your reference:

Our reference: FIN.1606.21

Date: 5th, March, 2019

Re: 2015/2016 TREASURY ACCOUNTS

In accordance with Section 27(2) of the Financial Administration and Audit Act, I hereby transmit the statement of accounts for 2015/2016 as required by Section 27(3) of the Act

2. In general the Treasury and the Internal Audit Section will continue to take steps to ensure that rigorous standard of accounting for all revenues and expenditures and implemented by the Treasury, Accounting Officers and Receivers of Revenue.



**Marlon Johnson
FINANCIAL SECRETARY (Actg.)**

MJ/rlf

Att.

ACKNOWLEDGEMENT AND APPRECIATION

Special thanks are extended to staff members of the Office of the Auditor General (OAG) for their dedication to duty and loyalty during the year. As a result of their efforts and commitment, the Auditor General was able to fulfill his statutory obligation.

Sincere thanks and appreciation is also extended to all persons in the various Ministries and Departments for their co-operation and courtesies extended to the Auditor General and staff.

Appreciation also goes to The Caribbean Organization of Supreme Audit Institutions (CAROSAI), the INTOSAI Development Initiative (IDI) and The Bahamas Public Service Training Centre for their respective assistance in the further training of our staff.

OVERVIEW

I am pleased to present my Report on the audits carried out by the Office of the Auditor General for the financial year 2015/2016.

The audits give assurance to the Prime Minister and the Cabinet of the Commonwealth of the Bahamas on the proper accounting, management and use of public resources. In the process, they help strengthen and foster good financial governance of the public service as well as enhance the accountability of public sector entities as custodians and stewards of public resources.

Audit Authority

The Auditor General's authority to audit and report is provided for in legislation, in accordance with Article 136(4) of The Constitution of The Commonwealth of The Bahamas. The key legislation that governs the Office of the Auditor General, the Financial Administration and Audit Act, 1973 (2010 Revised Edition) and the Financial Regulations, 1975.

The OAG audits the accounts of all Government Ministries and Departments. The OAG also audits public authorities and bodies administering public funds as prescribed by law, or upon request. In general, the OAG carries out the following types of audits:

- Revenue and Expenditure Audits
- Compliance Audits
- Financial Audits
- Performance Audits

Audit Approach

The OAG adopts a risk-based approach in determining the areas to be covered during the audit process. In selecting areas to be audited, one of the key factors the OAG takes into consideration the materiality of transactions. Dollar value is an important consideration in determining materiality but it is not the only consideration. The OAG also considers other factors such as reported irregularities and the potential impact in a particular ministry/department as well as citizens concerns.

In carrying out the audit, the OAG examines records, files, reports and other documents, conducts on-site visits and interviews with relevant officers. The OAG also considers internal controls that the audited entity have in place to safeguard public funds against waste, loss and misuse. The audit observations reported are based on the information and evidence gathered. As audits are conducted on a sample basis, they do not reveal all weaknesses and irregularities.

Reporting of Audit Observations

All audit observations and recommendations are conveyed to the Permanent Secretaries of the various Government ministries/departments, Heads and Chief Executives of the respective Agencies and Statutory Boards by way of OAG management letters which also includes the entity's management comments.

The more significant Audit observations are presented in this report. These are observations which indicate improper performance of duty with significant financial impact, systematic or common lapses that may seriously weaken financial governance and controls if not corrected or serve as useful teachable moments for improvements across the public sector.

This report is submitted to the Speaker of the House of Assembly who shall, in accordance with Section 43 of the Financial Administration and Audit Act, present to Parliament.

Audits Performed for the Financial Year 2015/2016

The OAG audited the following entities:

2015/2016 AUDIT REPORTS	
1	The Bahamas Consulate General Office, Washington 2014 to June 2016
2	The Bahamas Consulate General Office, Atlanta July 1 st , 2014 to July 201 th , 2016
3	The Bahamas Embassy Beijing, China 1 st January, 2014 to 31 st May, 2016
4	Permanent Mission to the United Nations, New York July 1 st , 2014 to July 29 th , 2016
5	The Embassy of The Bahamas Havana, Cuba 1 January, 2014 to 30 th June, 2016
6	The Embassy of The Bahamas Washington, DC January, 2014 to 30 th June, 2016
7	Embassy of the Commonwealth of The Bahamas Post-Au-Prince, Haiti 1 st January, 2014 to 31 st May, 2016
8	The National Art Gallery of The Bahamas July 1 st 2014 to June 30 th , 2016
9	The Registrar General Department July 1, 2014 to June 2016
10	The Port Department July 1 st , 2014 to June 30 th , 2016
11	The Revenue Accounts of Central Government West Grand Bahama Year Ended June 30 th , 2016
12	The Revenue Accounts of the Port Department , Grand Bahama Year Ended June 30 th , 2016
13	Local Government Expenditure Accounts, West Grand Bahama Year Ended June 30 th , 2016

14	Inagua District For July 2014 – June 2016
15	Mayaguana District July 2014 to November 2016
16	South Andros District July 2014 – October 2016
17	Exuma Districts July 2015 – June 2016
18	New Providence Transport Program Year Ended June 30, 2016
19	Report on the Administrator’s Safe at Moss Town Crooked Island After the Passage of Hurricane Joaquin
20	Report on Damaged Cash at The Administrator’s Office in Mason Bay Acklins on October 6, 2015
21	Financial Intelligence Unit For July 2015 – June 2016
22	Gaming Board For July 2015 – June 2016
23	Customs Department For July 2015 – June 2016
24	Department of Inland Revenue (Central Revenue Administration) For July 2015 – June 2016

AUDITOR GENERAL'S CONCERN

1. The following issues remained a concern to the Office of the Auditor General.

Staffing

2. The Office of the Auditor General continues to operate with minimal staff. However, the Government of The Bahamas with the assistance of Ministry of Finance has allowed the OAG to hire seven (7) staff on contract.
3. We are expecting to continue the process of hiring by way of contracts in order to increase numbers and up-grade the quality of staff.

Access to Audit Information

4. A matter of concern exists in regards to obtaining access to audit information/documentations within some government departments/ministries. Some Public Officials appeared unaware of the provision of the Section 41(1) of Financial Administration and Audit Act, which entitles the Office of the Auditor General (OAG) to have access to all books, records, returns and reports related to Government accounts. As a result, the work of the OAG was impeded in some cases due to the lack of co-operation by Officials of various Ministries and Departments.

Public Accountability

5. Some public officers are not being held accountable for their actions, which results in loss or wastage of government funds.
6. The belief of public accountability is generally construed as the obligation to answer for the discharge of responsibilities entrusted to government officials/workers. When accountability is present, an organization operates more efficiently, effectively and economically. In addition, the environment is more conducive to positive growth.

Implementing an Integrated Financial Management Information System (IFMIS)

7. A fully functioning Integrated Financial Management Information System (IFMIS) can improve governance by providing real-time financial information

that financial and other managers can use to administer programs effectively, formulate budgets, and manage resources. A sound IFMIS can help the government gain effective control over its finances and also enhance transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud.

8. Implementing a successful IFMIS is paved with difficulties, such as resistance from the bureaucracies involved; and lack of decision-making from the top level civil servants.

Understanding IFMIS

9. A financial management information system, or integrated financial management information system (IFMIS), is an information system that tracks financial events and summarizes financial information. In its basic form, an IFMIS is little more than an accounting system configured to operate according to the needs and specifications of the environment in which it is installed.
10. Generally, the term “IFMIS” refers to the use of information and communications technology in financial operations to support management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements. In the government realm, IFMIS refers more specifically to the computerization of public financial management (PFM) processes, from budget preparation and execution to accounting and reporting, with the help of an integrated system for financial management of line ministries, spending agencies and other public sector operations.

What It Does

11. An IFMIS stores, organizes and makes access to financial information easy. It not only stores all the financial information relating to current and past years’ spending, but also stores the approved budgets for these years, details on inflows and outflows of funds, as well as complete inventories of financial asset (e.g., equipment, land and buildings) and liabilities (debt).
12. A more comprehensive, well integrated system will:
 - Provide timely, accurate, and consistent data for management and budget decision-making;
 - Support government-wide as well as agency-level policy decisions;

- Integrate budget and budget execution data, allowing greater financial control and reducing opportunities for discretion in the use of public funds;
 - Provide information for budget planning, analysis and government-wide reporting
 - Facilitate financial statement preparation; and
 - Provide a complete audit trail to facilitate audits.
13. By recording information into an integrated system that uses common values, IFMIS users can access the system and extract the specific information they require to carry out different functions and tasks. All manner of reports can be generated; balance sheets, sources and uses of funds, cost reports, returns on investment, aging of receivables and payables, cash flow projections, budget variances, and performance reports of all types. Some systems have libraries consisting of hundreds of standard reports. Managers can use this information for a variety of purposes: to plan and formulate budgets; examine results against budgets and plans; manage cash balances; track the status of debts and receivable; monitor the use of fixed assets; monitor the performance of specific departments or units; and make revisions and adjustments as necessary

Independence

14. The Office of the Auditor General continues to work towards fulfilling the mandate on independence as set out by the UN General Assembly resolution.
15. On 22nd December, 2011 the 66th United Nations General Assembly adopted the Resolution A/66/209 “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions”.
16. The UN General Assembly Resolution is the crowning conclusion of the common efforts of all SAIs (Supreme Audit Institutions) to strengthen their independence and for recognition of the Lima and Mexico Declarations. This success was only possible, because all members of the **INTOSAI** (International Organization of Supreme Audit Institutions) community established the necessary conditions in their fields of competence and have thereby given content and credibility to the INTOSAI motto “Experientia Mutua Omnibus Prodest” (Mutual experience benefits all).

17. The UN General Assembly represents a milestone in the nearly 60-year history of INTOSAI. Therein, the General Assembly for the first time expressly recognizes the following:

- SAs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence; and
- The important role of SAs in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals, including the Millennium Development Goals.

18. The UN Member States also take note with appreciation of the following:

- The work of INTOSAI in promoting greater efficiency, accountability, effectiveness, transparency and efficient and effective receipt and use of public resources for the benefit of citizens; and
- The Mexico and Lima Declarations.

19. The UN General Assembly encourages Member States to:

- Apply, consistent with their national institutional structures, the principles set out in those Declarations;

And also encourages:

- Member States and relevant United Nations institutions to continue and to intensify their cooperation with INTOSAI, including in capacity-building, in order to promote good governance by ensuring efficiency, accountability, effectiveness and transparency through strengthened supreme audit institutions.

20. The United Nations (UN) in its latest resolution (no. 69 of 2014) called the member states to strengthen the Supreme Audit Institutions and maintain their complete independence. In that way the UN aims to promote

efficiency, accountability, effectiveness and transparency in the public administration.

21. The UN emphasized that actions taken by the Supreme Audit Institutions may be objective and bring effects only when they are independent of audited entities and when they are free from external influences. The SAIs independence is one of fundamental principles underpinning democracies. Any action against that principle destabilizes the democratic system where public authorities should be subject to independent audit.

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SECTION ONE



CONSTITUTIONAL PROVISIONS

Establishment of Office:

1.01 Article 136(1) of The Constitution states:

“There shall be an Auditor General whose office shall be a public office.”

Mandate:

1.02 Article 136(3) of The Constitution provides:

“The accounts of the Supreme Court, the Senate, the House of Assembly, all departments and offices of the Government (but excluding the Department of the Auditor General), the Public Service Commission, the Judicial and Legal Service Commission, the Police Service Commission and all Magistrates’ courts shall, at least once in every year, be audited and reported on by the Auditor General who, with his subordinate staff, shall at all times be entitled to have access to all books, records, returns and reports relating to such accounts.”

Reporting:

1.03 Article 136(4) of The Constitution states:

“The Auditor General shall submit his reports under paragraph (3) of this Article without undue delay to the Speaker (or, if the office of Speaker is vacant or the Speaker is for any reason unable to perform the functions of his office, to the Deputy Speaker) who shall cause them to be laid before the House of Assembly without undue delay.”

Independence:

1.04 Article 136(5) of The Constitution provides:

“In the exercise of his functions under the provisions of paragraphs (3) and (4) of this Article, the Auditor General shall not be subject to the direction or control of any other person or authority.”

SECTION TWO



AUDIT APPROACH & SIGNIFICANT ACCOUNTING POLICIES

AUDIT APPROACH AND SIGNIFICANT ACCOUNTING POLICIES

Audit Approach

- 2.01 In order to express a professional opinion on the financial statements of the Government of the Commonwealth of The Bahamas, audits are carried out in accordance with Generally Accepted Auditing Standards and International Standards of Auditing and each audit is designed to provide assurance as to the propriety of the Government's financial transactions and the accuracy of its accounting records.
- 2.02 The audit of all Ministries and Departments includes a general review of the accounting procedures and systems of internal control, together with such tests of the records and supporting documents as are considered necessary. Compliance with statutes, regulations, directives and administrative requirements is also tested.

Summary of Significant Accounting Policies

- 2.03 Financial statements are prepared on the modified cash basis of accounting.
- 2.04 The modified cash basis of accounting combines elements of the two major accounting methods, the cash method and the accrual method. The cash method recognizes income when it is received and expenses when they are paid for, whereas the accrual method recognizes income when it is earned and expenses when they are incurred.
- 2.05 The recording of government transactions fall into three main categories – Recurrent Revenue, Recurrent Expenditure and Capital Expenditure.
- 2.06 Liabilities are recognized in the form of Advances, Treasury Bills and proceeds from Loans and are recorded at the face value of the debt instrument issued. Discounts, commission and other related expenses are treated as period costs. The general resources of the Consolidated Fund are used for the retirement of debt with only two Sinking Funds (Harcourt Malcolm Loan and the \$50m Stock Issue 1997 – 2005) being maintained.

- 2.07 Contingent liabilities of the Government consist of guarantees by the Government in respect of loans raised from private sources by Government-owned Corporations.
- 2.08 A non-contributory pension plan covering all public officers is provided by the Government in accordance with the Pension Act and its amendments.

SECTION THREE



ADMINISTRATION AND PERSONNEL

ADMINISTRATION AND PERSONNEL

3.01 The fiscal year 2015/2016 heralded the ninety first (91st) year of the existence and operation of the Office of the Auditor General in executing its mandate as stipulated in Article 136 of the Constitution of The Commonwealth of The Bahamas

Contractual Appointment

3.02 Ms. Denisha Butler
Administrative Assistant
Nassau

Hired on contract with effect from
10 August, 2015

Mr. Glenardo Smith
Assistant Auditor
Nassau

Hired on contract with effect from
10 August, 2015

Ms. Jedalia Astwood
Assistant Auditor
Freeport

Hired on contract with effect from
1 September, 2015

Mr. Arthur Bethel
Assistant Auditor
Eleuthera

Hired on contract with effect from
18 April, 2016

Mr. Charles Fowler
Assistant Auditor
Nassau

Hired on contract with effect from
6 June, 2016

Ms. Lynette Rolle
Assistant Auditor
Eleuthera

Hired on contract with effect from
17 May, 2016

Ms. Glennique Scavella
Assistant Auditor
Eleuthera

Hired on contract with effect from
30 May, 2016

Acting Appointment

3.03 Mrs. Portia Barnett
Deputy Auditor General

- Acted as Auditor General for the
period 6 – 12 November, 2015

Mrs. Portia Barnett - Acted as Auditor General for the
Deputy Auditor General period 28 May – 3 June, 2015

Mrs. Portia Barnett Acted as Auditor General for the
Deputy Auditor General period 18 – 24 June, 2015.

Unpaid Leave

3.04 John Pinder Unpaid Leave with effect from
Accounting & Audit Officer October 2008 as President of The
Bahamas Public Service Union.

Retired

3.05 Ms. Thelma Young Retired from the Public Service with
Office Manager III effect from 29th August, 2015.

Ms. Portia Barnett Retired from the Public Service with
Deputy Auditor General effect from 13th November, 2015.

Ms. Lovenia King Retired from the Public Service with
Accounting & Audit Officer IV effect from 20th February, 2016.

Ms. Gail Rutherford Retired from the Public Service with
Senior Clerk effect from 27th May, 2016

Resignation

3.06 Ms. Susan Culmer Resigned from the Public Service with
Accounting & Audit Officer IV effect from 26 February, 2016.
Eleuthera

3.07 Local Training Administered To Staff During the Year

Fighting Fraud Seminar

Building A Legacy of Integrity
And Excellence

Training Body/Trainer

Association of Certified Fraud Examiners

Bahamas Institute of Chartered
Accountants

25 th Anniversary Conference Evolve, Emerge and Excel	Institute of Internal Auditors Bahamas Chapter
The Purpose Driven Administrative Professional	International Association of Administrative Professionals Bahamas Chapter
The Balancing Act: Data Protection And Freedom of Information National Training Symposium	The Office of the Data Protection Commissioner
Online Tutored Course on Single Window for Foreign Trade	Bahamas Customs Department in Conjunction with the Inter-American Development Bank's Capacity Building Program
Advanced IDEA Concepts and Techniques	SYMPTAI Consulting Limited
Fundamentals of Preferential Rules Of Origin (Caribbean) 3 rd Edition	Inter-American Development Bank

3.08 International Meetings

Training Body/Trainer

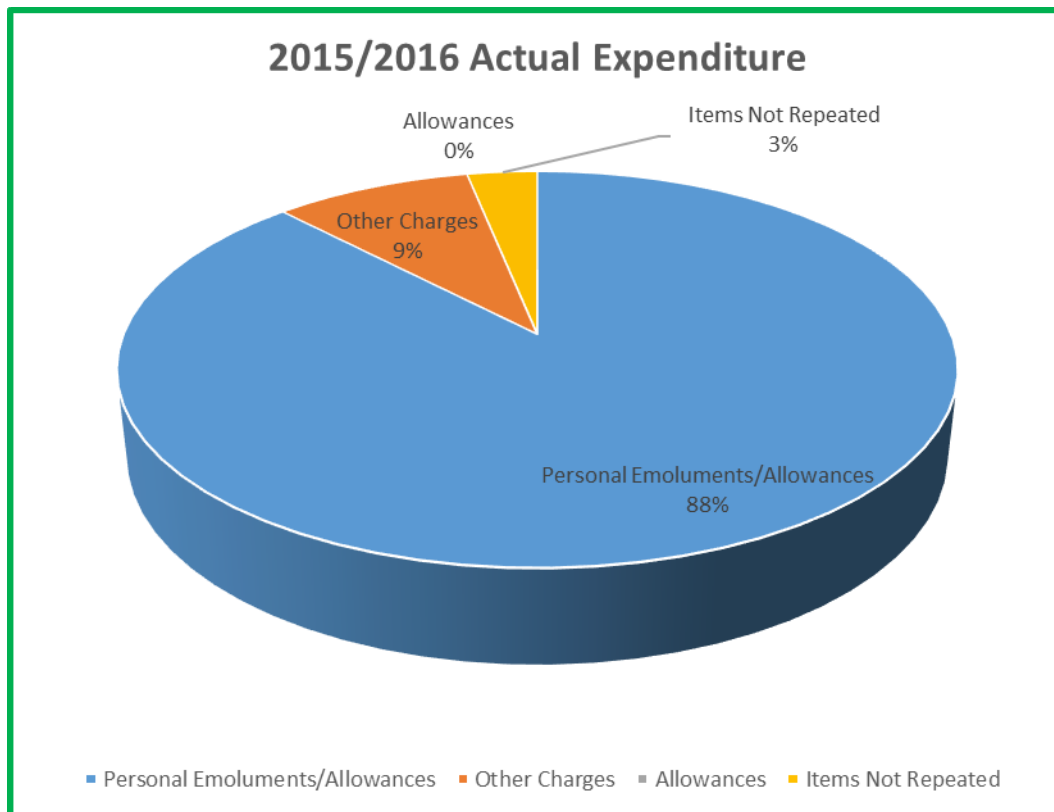
Public Accounts Symposium	International Centre for Parliamentary Studies London, England
67 th Meeting of INTOSAI Governing Board	International Organization of Supreme Audit Institutions (INTOSAI) Abu Dhabi, United Arab Emirates
X Congress of CAROSAI Strengthening SAls Through Training Collaborative Audits and Implementation of ISSAIs	Caribbean Organization of Supreme Audit Institutions (CAROSAI) Paramaribo, Suriname

3.09 The Office of the Auditor General's staff composition as at June 30, 2016 is as follows:

Post	Number of Staff	Authorized	Vacancy
Administration			
Auditor General	1	1	0
Sr. Deputy Auditor General	1	2	1
Deputy Auditor General	1	3	2
Assistant Auditor General	2	3	1
Audit			
Accounting & Audit Officer II	3	3	0
Accounting & Audit Officer III	7	12	5
Accounting & Audit Officer IV	7	9	2
Assistant Accounting & Audit Officer	7	9	2
Trainee Accounting & Audit Officer	2	6	4
Chief Audit Clerk	0	4	4
Chief Clerk	1	1	0
Senior Audit Clerk	1	1	0
Support Staff			
Executive Officer	1	0	-1
Office Manager III	1	1	0
Janitress	1	1	0
Contract Workers			
Senior Auditor	2	2	0
Assistant Auditor	14	14	0
Information Systems Auditor	1	1	0
Work Study Auditor	3	3	0
Receptionist / Clerk	1	1	0
Administrative Assistant	1	1	0
Total	58	78	20

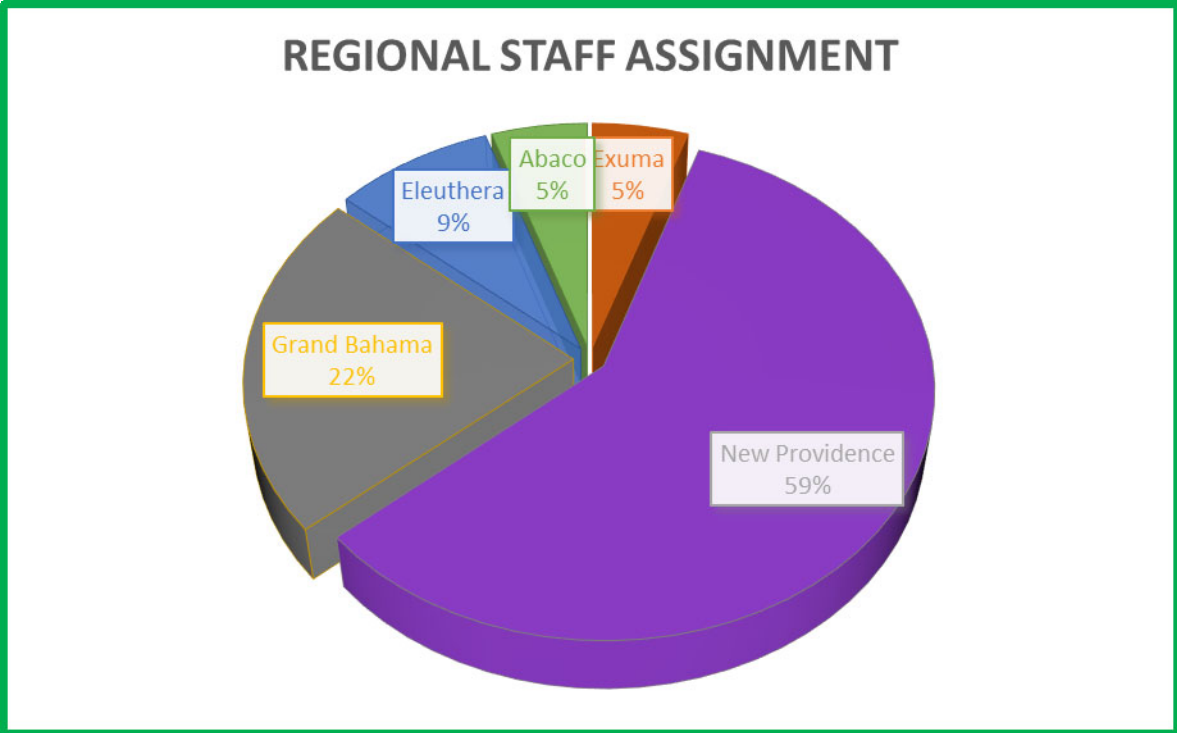
3.10 Total expenditure for the fiscal year ended June 30, 2016 compared with expenditure for 2014/2015 are as follows:

	2015/2016 Estimated Expenditure	2015/2016 Actual Expenditure	2014/2015 Actual Expenditure
Personal Emoluments/ Allowances	\$ 1,866,587.00	\$ 1,726,866.00	\$ 1,864,364.00
Other Charges	\$ 273,905.00	\$ 177,235.00	\$ 320,295.00
Allowances	\$ 36,400.00	\$ 0.00	\$ 20,500.00
Items Not Repeated	\$ 0.00	\$ 62,955.00	\$ 0.00
Total	\$ 2,176,892.00	\$ 1,967,056.00	\$ 2,205,159.00



3.11 At the end of the fiscal year, the compliment of staff members were as follows:

Districts	Nos.	%
Exuma	3	5
New Providence	34	59
Grand Bahama	13	22
Eleuthera	5	9
Abaco	3	5
Total	58	100



SECTION FOUR



FOREIGN AUDITS

Executive Summary

The Embassy of the Commonwealth of The Bahamas, Havana, Cuba was opened 17th July, 2006 and His Excellency Carlton Wright was appointed Ambassador. The Embassy is located at 3006 5th Avenue e/ 30 y 32 Miramar Playa, Havana.

The annual rental for the Office is US\$66,144 (\$5,512 monthly). Additionally, rental agreements were executed for accommodations for diplomatic officers.

Her Excellency Mrs. Alma Adams is the current Ambassador. The complement is twenty-nine (29) persons, inclusive of five (5) diplomatic officers and twenty-four (24) locally engaged staff.

The Office Imprest is 4,000 CUC to accommodate small purchases for the Embassy.

The Embassy has a fleet of four (4) vehicles.

The Embassy operates two (2) bank accounts namely for expenditure (operational) and revenue.

Revenue Remittance

4.01 We noted that the last remittance in the amount of \$16,680.00 represented revenue collected for the period 15th August, 2015 to 13th May, 2016. The analysis of revenue collected for the period July 2014 to June 2015 in the amount of 46,404.32 CUC is provided.

4.02 We also noted that revenue was held for ten (10) months before being remitted. The Embassy indicated that due to foreign currency restrictions in Cuba, they are not permitted to purchase US\$ drafts for revenue remittances.

4.03 Additionally, the Embassy advised that revenue is kept until it reaches a ceiling of 10,000 CUC and exchanged into US\$/B\$ currency. These funds are then transported by a diplomatic officer for deposit in Nassau.

4.04 We recommend that the method of transporting revenue be urgently addressed and coordinated with MFA to ensure that security presence is provided.

Bank Reconciliation

4.05 During our review of the bank reconciliations, we noted that the Ambassador did not sign off on the reconciliations prior to their submission to the MFA.

4.06 We were unable to confirm the accuracy of the bank reconciliations as there was no agreement between the adjusted bank and cash balances at the time of our review.

4.07 We recommend that the reconciliations be confirmed, duly signed and dated by the Ambassador prior to their submission to the MFA.

4.08 We further recommend that the Embassy seek approval from MFA to make appropriate adjustments on the bank reconciliations to reflect the correct position of the accounts.

Expenditure

4.09 The balance on the operational account at 30th June, 2016 was 461,045.07 CUC.

4.10 Expenditures incurred for the period January 2013 to June 2016 amounted to 1,870,874.11 CUC. The amounts incurred for the yearly periods are indicated in the Expenditure Table.

EXPENDITURE TABLE	
PERIOD	AMOUNT (\$)
JAN. - DEC. 2013	505,200.97
JAN. - DEC. 2014	528,835.10
JAN. - DEC. 2015	543,932.23
JAN. - JUNE 2016	292,905.81
TOTAL	1,870,874.11

Wire Transfers

- 4.11 While examining documentation on wire transfers to the operational account, we noted the differences between the transfer request and the amount deposited to the Embassy's account.
- 4.12 We observed that the B\$ amount was transferred through the Bank of Nova Scotia (BNS), Canada for credit in Canadian (C\$) dollars to Banco Financiero International S.A. account. The Bank transferred the Canadian Dollar equivalent to the Embassy's account in Cuba in US Dollars.
- 4.13 We reviewed a sample of wire transfer requests and we noted the net receipts as a result of exchange rates and bank charges. We identified shortfalls from our sample in the Wire Transport Report Schedule.

WIRE TRANSFER REPORT				
DATE	B\$	C\$	US\$	VARIANCE (B\$ - US\$)
27-Jul-14	129,022.00	144,321.86	128,622.69	399.31
Dec. 31, 2015	147,831.00	213,526.90	145,077.06	2,753.94
21-Mar-16	164,241.50	213,951.26	162,835.14	1,406.36
TOTALS	441,094.50	571,800.02	436,534.89	4,559.61

- 4.14 We recommend that MFA account for transaction charges when remitting operational funds to the Embassy.

Cash Transactions

- 4.15 While tracing payment vouchers to the accounting records, we noted the number of voucher payments for multi transactions were made payable to the Driver or the Accounts Officer instead of to a named person or service provider.
- 4.16 The embassy informed the auditors that the above practice is not unusual and that service providers prefer to be paid in cash.

- 4.17 We recommend that whenever practical two persons should be involved when cheques are being cashed for transparency and accountability purposes. Additionally, we recommend that persons paid by cash acknowledge receipt of funds in order to maintain an audit trail.

Independence Celebration

- 4.18 The Embassy received funding from Cabinet Office for Independence Celebrations. The amounts received and expended are indicated in the Independence Celebration Expenditure Schedule.

INDEPENDENCE CELEBRATION EXPENDITURE			
PERIOD	AMOUNT RECEIVED (\$)	AMOUNT SPENT (\$)	OVER EXPENDITURE (\$)
JULY 2014	4,000.00	7,688.66	3,688.66
JULY 2015	4,000.00	5,879.65	1,879.65
JULY 2016	6,000.00	26,065.09	20,065.09
TOTALS	14,000.00	39,633.40	25,633.40

- 4.19 We noted that the Embassy spent 26,065.09 CUC on the Celebrations in 2016. We were informed that the Embassy anticipated receiving 30,000.00 CUC for the Celebrations as this amount was requested on the quarterly disbursements.

Telephone Expenditures

- 4.20 We noted that the Embassy did not maintain a telephone log book for overseas calls. As a result, we were unable to ascertain if personal calls were made.
- 4.21 We further noted that cell phone policy was not in place. We reviewed a sample of the monthly bills and we noted the total payments for the periods indicated in the Cellular Bill Expenditure Schedule.

CELLULAR PHONE BILL EXPENDITURE	
MONTHS	AMOUNT (US\$)
JUNE 2014	407.29
JULY 2014	1,160.58
JUNE 2015	1,265.96
SEPTEMBER 2015	779.37
APRIL 2016	1,257.92

- 4.22 We recommend that the Embassy establish a telephone log book for overseas calls and institute a cell phone policy in order to facilitate controls for telephone usage.
- 4.23 While reviewing the appointment contracts for the diplomatic staff, we noted a clause in the contract for the First Secretary and Attaché/Administrative Assistant that states that, "Housing to be paid in full by the Ministry, inclusive of electricity and water, but excluding telephone and internet charges."
- 4.24 Additionally, we noted that the above clause was not included in the contracts for the Second Secretary and Attaché (Finance and Accounts). The Embassy however facilitated monthly payments for telephone expenses for all the diplomatic officers.
- 4.25 We recommend that explanation be provided for payments made.
- 4.26 While reviewing a sample of the general receipts, we noted that receipts (460780 and 460781) were issued for payments by an officer for personal expenses incurred on the cell phone. According to the documentation reviewed, the balance due was 243.55 CUC.
- 4.27 We recommend that confirmation of payment received be provided.

Office Safe

- 4.28 During our examination of the safe, we observed that it was damaged and not functional. We further noted that important information was secured in a non-fireproof filing cabinet.
- 4.29 We recommend that the Embassy seek approval from MFA to condemn and replace the safe.

Diplomatic Pouch

- 4.30 We noted that the Embassy did not have arrangements in place for diplomatic pouches. Additionally, we noted the weekly frequency of air lifts from Cuba to Nassau and vice versa that can possibly provide this service.
- 4.31 We recommend that the Embassy review its current method of dispatching diplomatic pouches to ensure that diplomatic documents are not compromised.

Requisition of Supplies

- 4.32 During our examination of the accounting records, we noted that essential office supplies were purchased in Nassau. Normally, when an officer is on leave in New Providence, supplies are purchased and items are packaged to accompany the officer on return to Cuba.
- 4.33 We recommend that a proper procurement system be implemented. On a quarterly basis, the needs of the Embassy should be identified and an officer from MFA should be designated to purchase supplies and arrange transportation in order to enhance the procurement process and inventory controls. This could be done on a quarterly basis.

Segregation of Duties

- 4.34 During our review, we observed that there was minimal segregation of duties. One officer was responsible for too many accounting duties, namely preparation of deposits, processing of payment vouchers, signing cheques, preparation of bank reconciliation statements and purchasing of supplies.
- 4.35 We recommend that management address this weakness in the system to ensure that proper segregation of duties is maintained. Further, if the number of staff is not in place management should monitor the operation more closely.

Lease Agreements

- 4.36 We noted that all of the lease agreements were executed in Spanish. No English translation was provided. As a result, we were unable to ascertain the terms of the lease, the lesser/lessee obligations and whether current leases were in effect.
- 4.37 **We recommend that lease agreements be translated in English for ease of interpretation.**

Medical Policy

- 4.38 We observed that an increasing number of Bahamians are travelling to Cuba for medical reasons. In some instances, persons have to undergo emergency procedures/surgery and are not financially prepared. The Embassy is sometimes contracted to provide assistance in these circumstances.
- 4.39 **We recommend that MFA institute a policy to address medical emergencies and the concerns that may arise.**

Locally Engaged Staff

- 4.40 During our review of voucher payments, we noted that the Embassy paid the Cuban Government US\$3,087.49 monthly for the staff recruited through the Employment Agency.
- 4.41 We noted that the Embassy was not in possession of a copy of the employment contract and manual. Therefore, at the time of the review we were not able to confirm the Embassy's obligation to the Cuban Government/Employment Agency or to the locally engaged staff. The Embassy proposes to provide four weeks effective January 2017.
- 4.42 **We recommend that the Embassy obtain a copy of the employment manual to ensure compliance under Cuban Law.**

Diplomatic Contracts

- 4.43 While examining the appointment letters for the diplomatic staff, we noted that all of the officers did not have current contracts. These observations are provided in the Diplomatic Contracts Schedule.

DIPLOMATIC CONTRACTS		
POST	CONTRACT PERIOD	STATUS
First Secretary	July 12, 2013 - July 11, 2016	Expired
Attache - Administration	Feb. 18, 2013 - No period indicated	Unknown
Attache - Finance	July 1, 2012 - June 30, 2014	Expired

4.44 We recommend that MFA periodically review contractual appointments for diplomatic officers in order to maintain the paper trail. Additionally, to ensure that the staff is working under properly executed contracts.

Post Salary Adjustments

4.45 We reviewed the PSA adjustments paid to the diplomatic staff on the payroll at October, 2016, and observed that the monthly payments posted did not reflect the officer's entitlement based on their salary, the multiplier factor (53.7) and the approved formula for: First Secretary, Second Secretary, Attaché Administration and Attaché Finance.

We recommend that action be taken to address the PSA paid based on the approved formula and that adjustments be made in a timely manner consistent with salaries.

Conclusion

4.46 We discussed the findings of our audit with management at the Embassy and the Permanent Secretary. There was an understanding that corrective action would be taken on our recommendations.

Executive Summary

The Embassy of the Bahamas is located at 2220 Massachusetts Avenue NW, Washington, District of Columbia (DC). The Chancery and the Residence are owned by the Government. The address of the official residence is 5100 Warren Place, NW, Washington, DC.

Rental agreements were duly executed for accommodations for diplomatic officers.

His Excellency Dr. Eugene Newry was appointed Ambassador on the 5th September 2012. The staff complement at the time of our audit was fifteen 9150 persons.

The Office Imprest is maintained at \$300 to accommodate small purchases for the Embassy.

The Embassy currently has two (2) leased vehicles.

The Embassy maintains three (3) bank accounts namely for operational, investment and the special functions account.

Reimbursement – Industrial Accident

4.47 It was noted in memorandum EMB/PF/C.91 dated 19th February, 2016, that the Embassy specifically requested an update on the status of the reimbursement for \$15,131.09 for medical expenses incurred on behalf of a former employee.

4.48 While reviewing documentation on this matter, we noted that the former employee apparently had a job related accident and the matter appears to be unresolved.

4.49 **We recommend that MFA address the status on the reimbursement for \$15,131.09.**

Education Allowance

4.50 We reviewed approval from MFA to pay educational allowance to an officer in the amount of \$68,600.00.

- 4.51 Cheque number 23179 dated July 30, 2015 was issued payable to the officer for the said amount. At the time of the review, we were not provided with receipts confirming payments made for school fees.
- 4.52 We recommend that receipts be provided to support the payment made for school fees in the amount of \$68,600.00. Additionally, it is recommended that payment of this nature be made directly to the educational institution to maintain transparency.

Replacement Cell Phone

- 4.53 We noted in Minute date 7th August, 2014, that an officer reported that the Embassy issued cell phone was stolen while on vacation.
- 4.54 We further noted that the Embassy agreed to replace the phone and that the officer would cover fifty (50) percent of the cost and make installment payments commencing October 2014.
- 4.55 The cost of the new phone service was \$649.94. Cheque number 22198 dated 14th July, 2014 for \$549.94 (less credit on account for \$100.00) was issued to AT & T Mobility. However, we did not review any repayments from the officer for \$324.97.
- 4.56 We recommend that the officer provide record of payment in the amount of \$324.97.

Excessive Overtime Payments

- 4.57 During our review of overtime, we noted that the Ambassador’s Chauffeur received overtime payments totaling \$46,883.13 for the periods as shown in the Overtime Payment Schedule.

OVERTIME PAYMENT	
PERIOD	AMOUNT (\$)
2013/2014	15,566.61
2014/2015	15,299.27
2015/2016	16,017.25
TOTAL	46,883.13

- 4.58 As a result of the escalating cost for overtime, the Embassy initiated the process to adjust the working hours of the Ambassador's Chauffeur, however, the plan was not implemented.
- 4.59 We recommend that the Embassy revisit the proposal to adjust the working hours for the Ambassador Chauffeur and that consideration be given to the overall budget when awarding overtime. Additionally, whenever practical, 'time off in lieu' of monetary compensation should apply.

Timely Processing - Payments

- 4.60 During our examination from a sample of payment vouchers, we observed that late fees were assessed and request for reimbursement was not submitted in a timely manner as indicated in the Late Fee Payments Schedule.

LATE FEE PAYMENTS			
DATE	DESCRIPTION	CHEQUE #	AMOUNT (\$)
15/7/14	Late Fee - Rental Payment	22219	130.00
11/2/2015	Late Fee - Credit Card Payment	22815	79.97
12/11/2015	Late Fee - Lease Payment for Vehicles	23444	77.85
9/2/2016	Late Fee - Lease Payment for Vehicles	23687	81.35
26/4/16	Reimbursement - Taxi Fares	23855	285.51

- 4.61 We noted that the reimbursement for taxi fares in the amount of \$285.51 covered the period 19th November, 2015 to 19th April, 2016 and the Embassy's driver was not utilized to provide transportation.

- 4.62 We recommended that:

- (i) Payments be processed in a timely manner in order to avoid late charges, and
- (ii) The driver be utilized whenever it is practical rather than incurring taxi charges.

Travel Reports

- 4.63 While reviewing the travel file, we noted that officers did not always submit a travel report and account for incidentals received as shown in the Travel Report Schedule.

TRAVEL REPORT SCHEDULE			
DATE	DESCRIPTION	CHEQUE #	AMOUNT (\$)
7/11/2014	Receipts not provided for Incidentals	22536	\$ 200.00
14/11/14	No Report	22561	\$ 1,371.00
5/12/2014	Receipts not provided for Incidentals	22629	\$ 300.00

- 4.64 We recommend that travel reports be provided and completed in accordance with the Treasury Department, Accounting Procedural Manual item 10.5, which states that reports be submitted within twenty one (21) days after the officer's return from travel.

Security Deposit

- 4.65 During our examination of the residential leases, we noted that an officer was granted a two (2) year lease commencing April 2013 to April 2015. The monthly rent and the security deposit paid was \$3,800.00.
- 4.66 We noted that even though the lease expired April 2015, the officer maintained a month to month arrangement until August 2015. In Minute Pater EMB/100/3 dated 24th August, 2015, the officer advised that the security deposit (\$3,800) will be returned within sixty (60) days. The security deposit remained outstanding up to the time of the audit examination.
- 4.67 We further noted that officer executed a new lease commencing on September 2015 to August 2017 for \$4,250.00 monthly. Security deposit for \$4,500.00 was paid on cheque 23260 dated 31st August, 2015.
- 4.68 We recommend that the security deposit for \$3,800.00 be deposited on the account in order to maintain the audit trail.

Renovations to Chancery and Residence

- 4.69 During our onsite visit, we noted the deteriorating condition of the Chancery and the need for urgent repairs and upgrades. We further reviewed the Embassy's memorandum EMB/100/1/2, dated 26th May, 2016 along with a Draft Cabinet Paper addressing the urgency for repairs to be carried out.
- 4.70 It was further noted that periodic repairs were not carried out at the Chancery and the official residence. Additionally, we observed that there was no maintenance person/property manager onsite who could provide technical support and carry out scheduled maintenance.
- 4.71 We recommend that given the strategic location of both properties, that the MFA seek funding to renovate and refurbish these properties to the standard germane to diplomatic buildings.
- 4.72 It is further recommended that a maintenance officer be appointed to carry out ongoing repairs and provide technical assessment on these properties.

Post Salary Adjustments

- 4.73 We noted that Cabinet approved the new Foreign Service Allowances (FSA) effective 1st July, 2014. The core component of the FSA is the post salary adjustments (PSA). The Public Service Commission (Foreign Service Orders) Regulation, 2014, item 46(1-2) states that,
- "The post adjustment allowance is an amount paid in addition to a foreign service officer's annual salary designed to ensure that, no matter where the officer is posted overseas, the officer's net remuneration has an equivalent purchasing power."
- "The multipliers for post adjustment are drawn from the United Nations International Civil Service Model and represent ratios that are currently applicable... These multipliers are to be updated with the new UN International Civil Service analysis on an annual basis."
- 4.74 We reviewed the PSA paid to the diplomatic staff on the payroll at October, 2016. We observed that the monthly payments posted did not reflect the officer's entitlement based on their salary, the multiplier factor (50.60) and the

approved formula. Monthly payroll adjustments are due to Counsellor, Second Secretary and Third Secretary.

4.75 We recommend that action be taken to pay the correct PSA based on the approved formula and that adjustments be made in a timely manner consistent with salaries.

Credit Card

4.76 During our review of credit card transactions, we noted that charges were incurred for airline tickets, hotel accommodations, special requests from MFA for visiting delegations and general purchases.

4.77 While examining these transactions, we noted that the card number varied from the card holder on the statements from Bank of America. We did not review documentation providing explanation for the different number.

4.78 We questioned certain expenses on the card and we received an email EMB/100/3 dated 13th October, 2016 providing justification for transactions one (1) to thirty four (34) totaling \$8,342.69. We were not satisfied with some of the explanations provided; in that:

- a) Support documentation (actual invoices) for all transactions were not provided.
- b) Justification provided for transactions 9 and 10 were not in agreement with transactions dated 30th and 31st December, 2015, totaling \$1,438.65 for expenditures incurred in New York.

4.79 We reviewed a Cashier's Check dated 22nd September, 2016 for \$5,449.42 reimbursing the Embassy for charges incurred on the credit card.

Executive Summary

The Bahamian Embassy is the only Bahamian Diplomatic Mission in Haiti, and at the time of our review the serving Ambassador was His Excellency Captain Godfrey Rolle. The address of the Embassy is 12 Rue Goulard Place Boyer Petion-Ville, Haiti.

The review on the accounts of the Embassy of the Commonwealth of The Bahamas in Port-au-Prince, Haiti was conducted during the week commencing June 20th, 2016.

The office maintains three (3) bank accounts, namely two operational accounts; one in United States Dollar (US\$) and the other in HTG (Haitian Gourde), and a Revenue Account. The balance as at June 2016 was \$24,591.95, \$271,035.33 and \$29,527.44 respectively. Two authorized signatories are necessary for processing of cheques.

We noted that when funds are sent to the Embassy in Haiti, it is sent directly to the Operational/US\$ Checking Account. A fixed amount of HTG 5,000 is transferred to the Operational/HTG Checking Account as the need arises to facilitate the expenses of the office.

A cashbook was not maintained at the Consular Division. However, revenues collected were banked and remitted periodically to the Ministry of Foreign Affairs, duly referenced by general receipts issued showing the period covered.

Loans were granted without supporting documentation, such as request letters and loan payment schedules. In addition, a register was not maintained documenting the amount loaned and payments made along with the balance owing.

Legal fees paid to lawyers on behalf of the Bahamian Nationals who are incarcerated were mostly paid in cash, except for those cases where the amounts did not exceed HTG 1,000. It is strongly recommended that drafts be purchased to facilitate these payments in order to eliminate the high risk to officers at the Embassy who are required to travel to remote providences with cash. Additionally, documentation should be maintained in relation to these matters.

Wire Transfers

4.80 A review of funds wired to facilitate the operation of the Embassy's Office were verified to the bank statement and the Treasury General Ledger. We noted that

the General Ledger reflected an amount of \$1,563,400.55 for the period July 2013 through May 2016. However; we observed an amount of \$1,492,372.30 on the bank statement, resulting in a difference of \$71,028.25; bank charges for the above period totaled \$2,245.28. The amount of \$68,782.97 (\$71,028.25 - \$2,245.28) was determined to be the un-reconciled amount.

- 4.81 **It is recommended that the Treasury Department, Nassau reconcile the General Ledger against the Embassy Operational Account.**

Revenue

- 4.82 At the time of the review, cash on hand totaled \$3,040.00. The amounts and the related documentation are detailed.
- 4.83 During our review, we noted that the Embassy did not have a general receipt book register in place to record the receiving and issuing of the general receipt books.
- 4.84 **It is recommended that a receipt book register be implemented.**
- 4.85 We were informed at the time of the interview that deposits were made two weeks after collection of revenue whenever the revenue to be deposited totals USD\$ 25,000.00. The reason for this is due to security concerns in Haiti.
- 4.86 **It is recommended where plausible that revenue be deposited on a weekly basis and that security services (of the Security Attaché) be engaged.**

Remittance of Revenue

- 4.87 It was noted that revenue earmarked for the Consolidated Fund Account was remitted to MFA; referenced by the completed official general receipt books. The last remittance was in the amount of \$49,500.00 on the 1st June, 2016 which covered the period 9th March 2016 to 28th April, 2016. At the time of our review, we observed that the revenue report was prepared to have the amount of US\$34,680.00 remitted, covering the period of 21st April, 2016 to 30th May, 2016. However, the funds remained in the possession of the Embassy.
- 4.88 **It is recommended that revenue be remitted to the Ministry of Foreign Affairs for deposit to the Government consolidated Fund during the month that the revenue was collected, and not be withheld for an in-ordinate period.**

Expenditure Reports

4.89 During our examination of the monthly expenditure reports, it was noted that:

- Insufficient information was documented in the detail column of the voucher to support payment.
- Supporting bills/invoices, and receipts were missing in many instances.
- Payment Vouchers made payable to cash; with insufficient information to justify the transaction.
- Payment vouchers to support the Expenditure Reports were not in order to facilitate the audit trail.

4.90 **It is recommended that:**

- **Due care should be exercised to include sufficient information to explain the reason for each transaction.**
- **All payment vouchers be supported with the relevant invoices/bills and receipts to justify payment.**
- **Cash Payments be minimized.**
- **All payment vouchers be properly prepared in order to facilitate the audit trail.**

4.91 We noted that cheque number 743 dated 27th August, 2015; in the amount of \$605.00 was with respect to courier services fees. We further noted that the expenditure was charged against Block 50 rather than Block 30.

4.92 **It is recommended that due care and attention be exercised to ensure that all expenditures are charged against the correct block.**

4.93 We noted that cheque number 797 dated 9th September, 2015 in the amount of \$518.00 was with respect to the purchase of a ticket for a Bahamian Citizen to travel to The Bahamas. We were unable to determine if the amount was reimbursed to the Operational Account. However, we were informed that the individual's passport was sent to the Ministry of Foreign Affairs, pending full payment.

4.94 **It is recommended that the amount of \$518.00 be reimbursed and be deposited to the Embassy's Operational Account.**

Independence Celebration 2013 – 2015

- 4.95 While scrutinizing expenditures relating to the Independence Celebrations for the period July 2013 – 2015, we noted over expenditures occurring in each of the periods as shown in the Independence Celebration expenditure Schedule.

INDEPENDENCE CELEBRATION EXPENDITURE			
PERIOD	AMOUNT RECEIVED \$	ACTUAL EXPENDITURE \$	OVER/UNDER EXPENDITURE \$
JULY 2013	3,000.00	3,610.00	610.00
JULY 2014	3,000.00	4,559.17	1,559.17
JULY 2015	3,000.00	8,438.00	5,438.00

- 4.96 Further, it would appear that the \$3,000.00 is insufficient to host the Independence Celebration, hence the cost overrun.
- 4.97 **It is recommended that Ministry of Foreign Affairs seek to have the amount increased to facilitate the hosting of this important event.**

Receivables

- 4.98 We noted that an amount of \$1,000.00 was paid from the Embassy's U.S. Current Account (Operational) on 28th August, 2015 with respect to Mortuary Services for a deceased Bahamian National in Port-de-Paix.

Explanation

- 4.99 **The Accounts Manager stated that the amount was not reimbursed to the account and there was no documentation to show that the amount was paid directly to the Ministry of Foreign Affairs in New Providence.**
- 4.100 **It is recommended that an explanation be provided for the outstanding receivable amount of \$1,000.00.**

Funds with respect to Bahamian Incarcerations

4.101 During our review we noted that funds were received by the Ministry of Foreign Affairs (MFA) for two Bahamians detained in Haiti. These funds were earmarked for legal fees. However, MFA and the Embassy could not show documented proof of receipt of legal fees. We further noted that these fees were paid in cash by the Embassy.

Explanation

4.102 The Account Manager explained that The Ministry of Foreign Affairs would send a letter to the Embassy with the receipt number attached as evidence that funds were received. In addition, the Ambassador would give the authorization to have the cheque made payable to cash and presented to the bank by the driver. The cash is then taken by Embassy officers who would pass the cash on to the lawyer. It should be further noted that the services of C.A.M. Money Transfer is used in cases when the amount exceeds \$1,000.00.

4.103 We strongly recommend that a draft be purchases to facilitate the legal fees for incarcerated Bahamians. This will strengthen security measures as officers have to travel for long hours to remote provinces.

Visas

4.104 A review of visas issued by the Embassy for period January 2014 to May 2016 by the Consular Division in Nassau, revealed that approximately Three Hundred and Forty Six Thousand, Eight Hundred and Ninety five dollars (\$346,895.00) was collected. This represented Four Thousand, One Hundred and thirteen (4,113) applicants that were processed which are detailed.

Visa Applications

4.105 A request was made to the Ministry of Foreign Affairs on 31st May, 2016 and 6th December, 2016 to provide information on visa applications from the Embassy in Haiti, Consular Division for the period under review on the following:

- Listing of denials of visa in the system.
- Listing of incomplete visas.

- Profiles in the Consular Division and MFA involved with visa enrollments/processing for Haiti.

4.106 It should be noted that at the conclusion of our audit the documents requested were not received by the Office of the Auditor General. As a result, we could not test the internal controls surrounding the Ministry of Foreign Affairs E-Visa System and MOFACONSULAR E-MAIL.

4.107 We were informed by staff from the Ministry of Foreign Affairs E-Visa Section (Nassau), that the computer system may have been compromised. The police was called in to investigate. At the time of our review a police report had not been submitted.

4.108 **It is recommended that the requested information be forwarded to the Office of the Auditor General forthwith, so that the necessary audit procedures can be performed to test the internal controls surrounding the E-Visa System and the MOFACONSULAR E-MAIL.**

Loan Files Employees

4.109 A review of the loan files revealed that a request was made for a loan without the Ambassador's approval. We further noted that loans were granted without letters of request and/or approval.

4.110 **It is recommended that the loan files be updated with request letters and approvals from the Ambassador. We further recommend that the files be maintained showing payments of loans.**

Vendor Files

4.111 We noted that vendor files are not maintained for companies that provide goods/services on a regular basis to the Embassy.

4.112 **It is recommended that files are opened for all vendors and should be maintained on a regular basis.**

Telephone Log

4.113 We noted that a telephone log was not being maintained at the Embassy. As a result, we were unable to confirm whether all calls were official. In addition, the telephone accounts were not reconciled.

4.114 We recommend that the Embassy implement a telephone log. We further recommend that the telephone accounts be reconciled; in an effort to avoid duplication of payments and charges not associated to the Embassy.

Inventory

4.115 At the time of our audit, we were provided with an inventory listing which was not current.

4.116 It is recommended that a current inventory listing for the Embassy and the Residence be forwarded to the Office of the Auditor General for review.

Conclusion

4.117 We discussed the findings of our audit with management at the Embassy and the Permanent Secretary. There was an understanding that efforts would be made to address the observations made.

4.118 Mention was also made of urgent matters to be addressed as follows:

- The continuance of the maintenance and upgrading of the Embassy.
- The strengthening of security measures for handling cash to remote provinces on behalf of detainees.
- The need to minimize cash payments to various companies.
- The need for more collaboration between the Consular Division in Nassau and Haiti, relating to the MFA, E-Visa System. Additionally, the processing polices regarding denials of visa and the documentation of details pertaining to sponsors and applicants.
- The need to hire more staff to carry out the demanding functions of the Embassy.

Executive Summary

The Bahamas Consulate (Embassy Consular Annex) was established on March 11, 2013. At the time of its establishment the Consulate was housed in the Embassy’s complex at 2220 Massachusetts Avenue NW, Washington, District of Columbia (DC). The Consulate presently is accommodated in a leased facility at 1025 Vermont Avenue NW Suite 305 in Washington, (DC). The term of the lease is for seven (7) years and commenced December 2013. The annual rental in year one (1) was \$193,050 (\$16,087.50 monthly). The annual rate increases yearly by a 1.05 index.

Additionally, rental agreements were duly executed for accommodations for the diplomatic officers. Her Excellency Mrs. Paulette Zonicle was appointed Consul General on 13th February 2013. The staff complement at the time of our audit was nine persons. The audit of the Consular Annex was conducted in July 2016 covering the period January 2014 to June 2016.

The Office Imprest is maintained at \$200 to accommodate small purchases for the Embassy Consulate Annex.

The Consulate currently has two (2) leased vehicles.

Revenues were collected from four (4) sources namely visas, passports, legalization of documents and messenger fees. The amount collected respectively for the fiscal periods 2013/2014 (January to June 2014), 2014/2015 and 2015/2016 totaled \$273,901 as detailed in the table.

REVENUE COLLECTION ANALYSIS				
REVENUE STREAMS	2013/2014 (\$)	2014/2015 (\$)	2015/2016 (\$)	TOTALS
VISA	33,126.00	89,395.00	116,480.00	239,001.00
PASSPORTS	2,435.00	1,970.00	10,700.00	15,105.00
LEGALIZATION	880.00	4,680.00	8,365.00	13,925.00
MESSENGER FEES	1,000.00	3,260.00	1,610.00	5,870.00
TOTAL	37,441.00	99,305.00	137,155.00	273,901.00

During review on the 22nd July, 2016 cash on hand collected for the issuance of passports, visas, authentication of documents and messenger services amounted to \$3,320. These funds were collected for the period July 18 -21, 2016.

Post Salary Adjustments

- 4.119 “The post adjustment allowance is an amount paid in addition to a foreign service officer’s annual salary designed to ensure that, no matter where the officer is posted overseas, the officer’s net remuneration has an equivalent purchasing power.”
- 4.120 “The multipliers for post adjustment are drawn from the United Nations International Civil Service Model and represent ratios that are currently applicable... These multipliers are to be updated with the new UN International Civil Service analysis on an annual basis.”
- 4.121 We reviewed the PSA paid to the diplomatic staff on the payroll at October, 2016. We observed that the monthly payments posted did not reflect the officer’s entitlement based on their salary, the multiplier factor (50.60) and the approved formula. Monthly payroll adjustments are due to Second Secretary and Third Secretary.
- 4.122 We recommended that action be taken to pay the correct PSA based on the approved formula and that adjustments be made in a timely manner consistent with salaries.

Office Safe

- 4.123 During our examination of the safe, we observed that the safe was damaged and a new safe was purchased. We further noted that the Consulate did not receive approval from MFA to condemn the damaged safe.
- 4.124 We recommend that the Consulate seek formal approval from MFA to condemn and replace the safe.

Expenditure

- 4.125 Total expenditure for the respective fiscal periods inclusive of expenditures related to the relocation of the Consulate (2013/2014) and retrofitting of the office space are indicated in the Expenditure Analysis Schedule.

EXPENDITURE ANALYSIS	
PERIOD	AMOUNT (\$)
2013 / 2014	916,372.20
2014 / 2015	702,517.52
2015 / 2016	780,783.29
TOTALS	2,399,673.01

Accounts Receivables

4.126 During our review of the receivables, we noted that expenses were incurred by the Consulate for hotel accommodations and special events for MFA and visiting delegations. We further noted that the Consulate requested reimbursement for amounts expended. The amount due is \$13,020.75.

4.127 **It is recommended that the Consulate follow up on the reimbursements for amounts expended to complement the office budget.**

Credit Card

4.128 It was noted in memorandum EMB/CON dated 29th January, 2014, that the Consular Annex specifically requested approval from MFA to acquire a credit card to secure hotel accommodations and purchase airline tickets. Approval was conveyed via email dated 10th February, 2014.

4.129 **We recommend that the outstanding amount be reimbursed to the Operational Account and that the credit card be used for purposes intended.**

Excessive Overtime Hours

4.130 During our review of a sample of overtime payments, we noted that the Messenger/Driver worked in excess of forty (40) hours per month, which necessitated the payment of overtime amounting to \$21,534.92.

4.131 We noted that there was no budget allocation for overtime. A schedule of the amounts paid for the period under review is shown in the Overtime Payment Schedule.

OVERTIME PAYMENT SCHEDULE	
PERIOD	AMOUNT (\$)
2013 / 2014	4,257.92
2014 / 2015	7,809.07
2015 / 2016	9,470.93
TOTALS	21,537.92

4.132 We recommend that consideration be given to the overall budget when awarding overtime over forty hours per month. Additionally, whenever practical, 'time off in lieu' of monetary compensation should apply.

Independence Celebration

4.133 The Consulate received funding from Cabinet Office and private donors for Independence Celebration. The amounts received and expended are indicated in the Independence Celebrations Expenditure Schedule.

INDEPENDENCE CELEBRATION EXPENDITURE					
PERIOD	CABINET OFFICE (\$)	DONATIONS (\$)	TOTAL RECEIVED (\$)	AMOUNT SPENT (\$)	VARIANCE (\$)
Jul-14	7,000.00	15,000.00	22,000.00	21,072.54	927.46
Jul-15	22,416.00	18,000.00	40,416.00	40,093.43	322.57

4.134 We noted that donations were received for Independence Celebration. However, we did not review documentation from the Consulate informing MFA

of receipt of funds and subsequently approval/advice on the application of these funds.

4.135 We recommend that documentation of receipt of funds from donors submitted to MFA be provided. Further, authority should be provided for the usage of funds to enhance transparency and accountability.

Outstanding Funds

4.136 At the time of the review, the matter was unresolved and remained outstanding.

The Bahamas Consulate General Office - ATLANTA, GEORGIA

Executive Summary

The Bahamas Consulate General Office (BCGO), Atlanta is located on 2970 Clairmont Road NE No. 290 Atlanta, GA 33058.

The audit on the accounts of the Consul General's Office was conducted in Atlanta during the week commencing July 2016.

Mr. Randy Rolle assumed the position as Consul General with effect from July 1 st, 2013. The staff complement at the time of our review was ten (10) consisting of four (4) diplomatic staff, and six (6) locally employed staff.

An Official Handling – Over Statement listing the several accounts and balances, along with an updated inventory listing was not executed when the Consul General assumed the position.

The Consul General's Office operates two (2) non-interest bearing bank accounts namely: (i) A revenue Account and (ii) An Operational Account. Two authorized signatures are necessary for the processing of cheques.

The Consul General's Office is in possession of one credit card, which is assigned to a Senior Officer with a credit limit of \$30,000, and seven (7) cell phones, which are assigned to Senior Officers.

The Consul General's Office is currently in possession of two vehicles. The maintenance of these vehicles is the responsibility of the office.

A Petty Cash in the amount of \$500 was established to facilitate the daily operation of the office.

The Consul General’s residence located on 1287 Greenridge Avenue, Lithonia, Georgia was sold for \$496,000 as per memo EMB/500/2/1 dated 14th September, 2015. The residence was purchased at a foreclosure price of \$511,878 in 2009. The sale of the residence was managed by the Embassy of the Commonwealth of The Bahamas, Washington, DC.

The Consul General’s Office received funding from the Bahamas National Festival Commission for the initial Junkanoo Carnival Launch in the amount of \$6,155 dated October 7th, 2014. It was noted that funding was not received for the second Annual Junkanoo Carnival.

Remittance of Revenue

4.137 The last remittance of revenue in the amount of \$12,645.00 was on June 28, 2016 for the period May 2016 as shown in the Revenue Remittance Schedule.

REVENUE REMITTANCE - MAY 2016		
DESCRIPTION	RECEIPT NUMBERS	AMOUNT (\$)
Passports	837604 - 837606, 837357 - 837375, 837401 - 837417	2,315
Visas	193764 - 193855	10,270
Authentications	364299	60
TOTAL		12,645

4.138 According to the records provided by The Bahamas Consulate, Atlanta; revenue collected and remitted during the fiscal years 2015/2016 amounted to \$73,810.00 and \$91,600.47 respectively. These figures represent an increase of \$17,790.47 or approximately 24% for fiscal year 2015/2016. Total revenue collected (passport, visa and notary public) for the period July 1 – 15, 2016 amounted to \$5,575.00.

Independence Celebration

4.139 On an annual basis, funds are approved by the Cabinet Office to defray the cost of the Independence Celebration for each overseas office which is facilitated by the Treasury. The following table shows a breakdown of expenses for the fiscal years 2014 and 2015. It should be noted that the breakdown of expenses were not yet compiled for 2016 celebration.

INDEPENDENCE CELEBRATION EXPENDITURE ANALYSIS		
DESCRIPTION	2014 (\$)	2015 (\$)
Amount Transferred	5,000.00	5,000.00
Donations	1,705.00	65.00
Total Received	6,705.00	5,065.00
Amount Expended	9,596.53	8,516.08
Amount Overspent	2,891.53	3,451.08

4.140 We recommend that the BCGO be guided by the budgeted amount as far as possible.

Inventory

4.141 During our review, we were provided with an inventory listing of the assets at the Consul General's residence 1287 Greenridge Avenue dated September 30, 2015 and an inventory listing for the current Consul General residence 4445 Danforth Road SW dated April 22, 2016. It should be noted that an inventory listing for the Consul General's office was not presented for our review.

4.142 We recommend that the inventory listing for the Consul General's Office be forwarded for our review.

Damage Furniture

4.143 During our audit we were shown a filing cabinet that was damage as well as disassembled partition pieces and we inspected these items.

4.144 We recommended that the Consul General write to Ministry of Foreign Affairs and the Ministry of Finance to have the items condemned and properly discarded.

The Bahamas Embassy – BEIJING, CHINA

Executive Summary

The Bahamas Embassy, in Beijing, China opened in January 20006. The post of Ambassador has been vacant since January 2012 and was recently filled by His Excellency Paul Gomez on January 25th, 2016. The Embassy has formal responsibility for the Philippines, Indonesia, Singapore, Bangladesh, Malaysia, South Korea, Australia, and New Zealand and Sri Lanka.

The review on the accounts of the Embassy of the Commonwealth of the Bahamas in Beijing, China was conducted during the week commencing November 14th, 2016. The staff complement at the time was seven, consisting of three Bahamians and four locally employed persons.

The Embassy maintains two (2) Bank Accounts; the RMB Account which is the operational account and a Revenue Account (US\$). Any revenue collected by the Embassy is deposited to this account and subsequently remitted to the Public Treasury.

The Ambassador, His Excellency, Paul Gomez and Counsel General, Ms. Julie Campbell are the signatories to both Embassy Accounts and usually sign the checks which must also be sealed.

Two vehicles are assigned to the Embassy, a Mercedes Benz, for use by the Ambassador and a Kia Carens to be used for official purposes.

The Embassy pays storage and insurance fees for furniture on a biannual basis. The storage facility was inspected and found to be remotely located. However, it is apparent that it would be cost effective to dispose of the furniture. In so doing, it is recommended that the staff be given the first preference of purchasing the items. Therefore, the Embassy should seek the advice of the relevant agency in this regard.

Cash On Hand

4.145 At the time of the review, cash on hand related to courier fees which amounted to 29.00 RMB; receipts attached was 642.00 RMB, totaling 671.00 RMB. We were told that the amount of 671.00 RMB was turned over to the Administrative Attaché by the former Financial Officer. We noted that funds were not replenished through the Cash Imprest. As a result, the balance on the Cash Report from January 21, 2016 of 2,047.90 RMB (US\$ 324.92) is highly questionable. The amount of 2,047.90 RMB (US\$ 324.92) was seen on the receivable listing to be outstanding.

4.146 **It is recommended that the practice of maintaining cash to compensate for courier fees be discontinued and payments should be made through the Cash Imprest Account, whereby replenishments can be identified in an effort to establish an audit trail.**

Revenue Account

4.147 During our examination of the Revenue Account (US\$), the balance at 11th November, 2016 was US \$7,356.36.

4.148 It was noted that the revenue earmarked for the Consolidated Fund Account was not remitted to the Ministry of Foreign Affairs on a timely basis as shown in the Delayed Revenue Report Schedule.

DELAYED REVENUE REPORT		
PERIOD OF COLLECTION	US\$ AMOUNT COLLECTED	DATE REMITTED TO NASSAU
(i) DEC. 3-19, 2013 (ii) JAN. 6 - FEB. 20, 2014	8,260.91	7-May-14
(i) MARCH 1 - 30 & MAY 31, 2014	2,405.82	21-Jul-14
(i) JUNE 1-30, 2014 (ii) JULY 30, 2014	1,038.01	29-Aug-14
(i) AUG. 1-31, 2014 - FEB. 8, 2015	5,367.17	19-May-15
(i) MARCH 1 - DEC. 30, 2015	7,209.89	22-Mar-16
(i) AUG. 27, 2015 (ii) DEC. 1 & 17, 2015 (iii) JAN. 8 - JUNE 28, 2016	4,792.14	31-Oct-16
(i) JULY 1 -SEPT. 30, 2016	12,079.61	27-Oct-16
TOTAL	41,153.55	

4.145 We recommended that management review the matter with respect to transfer of funds in a timely manner to the Ministry of Foreign Affairs to ensure that revenue is brought to account at the Public Treasury on a timely basis.

**Appropriation Ledger
(Vote Charge Book)**

4.146 The Appropriation Ledger, (Vote Charge Book) which was established for the recording of budgetary allocation and to reflect line item balances, were being maintained electronically.

End of the Year Balances – 2014/2015 and 2015/2016

4.147 During our examination of the Operational Account it was noted that the unexpended funds at the end of the fiscal year 2014/2015 was 1,421,834.44

RMB and 2,269,395.20 RMB for the fiscal year 2015/2016 respectively. We observed that for both fiscal periods the funds were carried forward and not returned to the Public Treasury. Further discussions with management revealed that the funds were needed to continue operations while awaiting the release of funds from the Ministry of Foreign Affairs for the new fiscal period.

Travel and Subsistence Register

4.148 While reviewing travel and subsistence documents it was noted that a register was in place but was not being properly maintained. We noted a number of officer travel dates were not recorded in the register. Additionally, we observed that the last posting was October 13, 2014.

4.149 **It is recommended that the Travel and Subsistence Register be updated and maintained on a monthly basis.**

Travel Advances

4.150 During our review of the Travel Advance Clearance Reports, we noted that the reimbursement voucher number and the dated report completed were not documented.

4.151 **It is recommended that the Travel Advance Clearance Reports include the reimbursement voucher number and the date completed, to facilitate the audit trail.**

Bank Account

4.152 During our examination of the Operational Account it was noted that the current bank balance at 11th November, 2016 was 1,605,608.30 RMB.

Interest Earned

4.153 Total interest earned on the Operational Account for the period 1st January, 2014 to 11th November, 2016 was approximately 16,410.05 RMB. The interest remained on the account.

Bank Reconciliation Statement

- 4.154 During our review of the underlying accounting records for the period 1st January, 2014 to 31st October, 2016 bank reconciliations were not included and presented in the Operational Accounts for the period of August 2015 through December 2015.
- 4.155 **It is recommended that bank reconciliations be prepared on a monthly basis and included in submission of the operational account.**

Value-Added Tax Refund

- 4.156 During our examination of value-added tax refund on goods and services purchased by Diplomatic (Consular) Missions, we noted that 1,866.06 RMB (approximately US\$305.92) was indicated on the value added tax invoice for the period under review.

Accounts Receivable

- 4.157 The accounts receivable listing dated 2nd December 2014 – 1st July 2016 showed an outstanding balance of 171,763.90 RMB (US\$29,700.20).
- 4.158 **It is recommended that deliberate steps be taken to collect all outstanding amounts due to the Embassy Beijing, China as a high level of receivables have the potential to negatively impact the operational cash flow.**

Expenditure

- 4.159 During our scrutiny we noted that a total of 68,372.00 RMB (US\$10,920.02) was expended by the Embassy Beijing, China for storage of furniture and insurance fees. We were told that a contract did not exist and amounts were disbursed every six months. The amounts spent were too exorbitant and can lead to a drain of the operational funds.
- 4.160 **It is our recommendation that the arrangement made for storage of furniture be reviewed. In addition, the Embassy should ensure that a contract is entered into to allow payments to extend over longer periods. It is also recommended that Management seek to have the furniture sold or disposed of. In this regard, preference may be given to the staff at the Embassy.**

- 4.161 We noted that payment voucher number 084 dated December 15, 2014 in the amount of 3,812.20 RMB (US\$ 624.95) in favour of Bank of China (cash) was with respect to purchase and set up of the accounting software Quick Books. Upon enquiry we learnt that the software was not accessible to staff at the Embassy.
- 4.162 **It is recommended that an explanation be given for the above expenditure.**
- 4.163 A substantial amount was spent on overtime for two drivers, however, we were unable to substantiate the reasons for the Embassy not sharing overtime between drivers as proportionately as possible, especially, given the long hours the drivers are required to work. We recognized that the importance of having the drivers in place to facilitate adequate transportation services, however, the need for a more improved and balanced work-hours scheduling among the drivers is noted.
- 4.164 **It is highly recommended that consideration be given to use both drivers on a rotational basis.**
- 4.165 While examining the expenditure documents to verify payments on the Cash Report for the months of March 2015 through June 2016, it was noted that the following cash payments were not reflected on the report. Additionally, the cash reports were presented for the period of January 2014 to January 2016 and as a result, cash transactions were not recorded for the month February 2016 through June 2016 as shown in the Cash Expenditure Report Schedule.

CASH EXPENDITURE REPORT				
DATE	CHEQUE NUMBER	PURPOSE/DETAILS	AMOUNT RMB	US\$ AMOUNT
26.02.15	1477852	replenishment for the Embassy's multi-purpose	\$ 6,000	\$ 983.61
11.03.15	1477859	Funds (Cash Advance) used to defray cost of booking a	\$ 4,000	\$ 655.73
07.04.15	1477879	months rental for Attache apartment for 15 April thru 14 July, 2015.	\$ 63,000	\$ 10,327.87
23.06.15	1477989	Allowances and salary paid to locally employed staff for	\$ 11,604	\$ 1,902.36
24.08.15	1500058	Funds used to pay transportation cost on behalf	\$ 1,800	\$ 295.08
07.12.15	1500150	Reimbursement for cost of a Transit Visa; while travelling on official business.	\$ 1,024	\$ 162.54

- 4.166 We strongly recommend the immediate investigation of the cash payment from the account. Further, management should ensure that if there is a need for cash transactions, the process should be closely monitored. Appropriate controls should be established to ensure that this method of payments is not abused.
- 4.167 While scrutinizing payment voucher number 193 (cheque number 1477989) dated June 23, 2015, we noted that a total of 11,604.40 RMB (US\$ 1,902.36) was paid with respect to allowances and salary for locally employed staff. It was further observed that the cheque was duplicated on the bank reconciliation statement during the month of June 2015.
- 4.168 It is recommended that an explanation be given for the duplication of the cheque on the bank reconciliation statement.
- 4.169 We noted that an amount of 6,000.00 RMB (US\$ 983.61) was paid with respect to a partial replenishment to the Embassy's Multi-Purpose Imprest Account. It was further noted that one of the attached receipts for funds received from the

petty cash in the amount of 710.00 RMB (US\$ 116.40) was paid to a student who was in distress. However, the letter for undertaking to repay was not signed nor dated.

- 4.170 It is recommended that a letter of agreement to reimburse the \$710 RMB be produced for audit review. The explanation be given to why the letter for undertaking was not signed and dated. Management should seek reimbursement.
- 4.171 It was noted that an amount of 9,986.00 RMB (US\$ 1,585.07) was paid with respect to repatriate a student on January, 2016. A letter of 'undertaking to repay' was not seen for this payment.
- 4.172 It is recommended that an explanation and the letter of 'undertaking to repay' regarding the above expenditure be provided for audit scrutiny. In the absence of an acceptable explanation, we recommend that the RMB account be reimbursed in the amount of 9,986.00 RMB (US\$ 1,585.07) without undue delay.
- 4.173 An official inventory list of the Embassy was not provided. We were told that the Embassy did not have an updated inventory list. Additionally, no changes were made from the list since 2010. Further, we were presented with an inventory listing for items that were in storage in a warehouse. The items were viewed but we were unable to verify the accuracy of the listing because we were not provided with adequate documentation to determine items purchased and how the amount spent to acquire the items.
- 4.174 It is recommended that the inventory list be updated and maintained on a regular basis.

Permanent Mission To The United Nations – NEW YORK

Executive Summary

The Permanent Mission to the United Nations Office New York is located on 231 East 46th Street New York NY 10017.

The audit on the accounts of the Permanent Mission was conducted in New York during the week commencing July 26th – 29th, 2016.

Mr. Elliston Rahming assumed the position as Ambassador in September 2013. The staff compliment at the time of our review was fifteen (15) consisting of nine (9) diplomatic staff and six (6) locally employed staff.

We also noted that the Permanent Representative to the United Nations was performing dual roles as Ambassador/Permanent Representative to the United Nations (New York) and the Organization of American States (OAS) in Washington D.C.

An Official Handing – Over Statement listing several accounts and balances, along with an updated inventory listing was not executed when the Ambassador assumed office.

The Permanent Mission operates four non-interest bearing bank accounts namely: two Checking Accounts and two Savings Accounts. Two authorized signatures are necessary for the processing of cheques.

The Permanent Mission is in possession of one credit card, which is assigned to a Senior Officer with a credit limit of \$20,000 and a debit card. Also, the Permanent Mission is in possession of eleven (11) cell phones which are assigned to Senior Officers.

Expenditure

Examination of Payment Vouchers

4.175 During our review of a sample of the accounting records, we noted that a large number of payment vouchers did not have the Ambassador's signature affixed authorizing the payments.

4.176 **We recommend that all relevant information and attachments be in place during our examination of payment vouchers to facilitate the audit trail. Further, all vouchers processed should be duly approved by or on behalf of the designated senior officer.**

4.177 During our review of the expenditure vouchers we noted that cheque numbers 3360 and 3410 dated October 30, 2015 and November 13, 2015 in the amount of \$15,218.00 and \$16,974.20 respectfully appear to be a duplicate payment. Supporting documents attached shows invoice number 1166565 dated October 5, 2015 in the amount \$10,200.00 in reference to payment for hotel accommodation at The Kimberly Hotel.

4.178 We recommend that all explanation be given for payment; otherwise the overpayment should be recovered.

Outstanding Reimbursement

4.179 At the time of our review, we were provided with a letter dated October 6, 2015 addressed to the Permanent Secretary, Ministry of Foreign Affairs and Immigration in reference to expenses incurred by the Permanent Mission on behalf of the Ministry for the 70th United Nations General Assembly. The Permanent Mission is seeking reimbursement in the amount of \$39,954.39.

4.180 Additionally, we noted that cheque number 3564 dated February 26, 2016 in the amount of \$3,000.00 was for payment on behalf of the Ministry of Youth for the Bahamas Spring City Violinist visit to New York City, February 26, 2016. We noted that these funds were not reimbursed by the Ministry of Youth at the time of our review.

4.181 We recommend that management address the outstanding reimbursement as these amounts negatively impact the operating budget.

4.182 While reviewing the payment vouchers we noted that approval was given for the Ambassador to be paid Entertainment Allowance for performing the role of representative to the OAS in Washington, D.C. for the period covering the 4th quarter 2013 to 1st quarter 2015. Further, we noted that the Ambassador commuted to Washington D. C. whenever it was necessary for him to attend meetings. This unusual arrangement included transportation, accommodation, per diem and other related costs; which is not cost effective.

4.183 We recommend that consideration be given to have the representative in Washington facilitate the OAS meetings. This we feel would be cost effective.

4.184 During our review of the subsistence and travel reports, we noted that clearance reports were not being completed, as prescribed in The Bahamas Government Accounting Procedural Manual 10.5.

4.185 We recommend that reports be completed within the twenty one (21) days as stated in the paragraph 10.5 of The Bahamas Government Accounting Procedural Manual.

4.186 We were informed during our interview that the excessive overtime was addressed, in that overtime hours will be authorized and closely monitored to ensure compliance with governmental policy.

4.187 We recommend that the provision in General Orders No.1275, which states that “No Government servants, qualified for overtime payments, shall receive such payments in respect of periods in excess of thirty five hours in any one month unless they are authorized by the Director of Public Personnel”. Such payments will not normally be approved unless they relate to periods worked in connection with an emergency”. Authorization for overtime in excess of thirty five (35) hours has now been delegated to Permanent Secretaries in respective Ministries.

Telephones

4.188 While reviewing the vouchers for the telephones we were unable to confirm whether all long distance calls were official or private.

4.189 We recommend that the packages that are given to each officer are utilized for official calls only; and that all private and non-governmental calls are logged and the cost reimbursed to the operational account.

Independence Celebration

4.190 On an annual basis funds are approved by the Cabinet Office to defray the cost of the Independence celebration for each Mission which is facilitated by the Treasury. We were informed that it is common practice for Independence Funding to be transferred to the Consulate General and not the Mission, however, the Mission from time to time has borne some of the cost of the Independence Celebration.

Inventory

4.191 We were informed during the review that due to the renovations, the Permanent Mission is still in the process of finalizing the inventory listing. A considerable amount of furniture and equipment were destroyed in the flood. The renovation is scheduled to be completed by the end of January 2017. At the completion of the exercise, management will continue to update and prepare the final inventory list for audit's review.

Executive Summary

The Office of The Bahamas Consulate General, New York is located on 231 East 46th Street New York NY 10017.

The audit on the accounts of The Bahamas Consulate General Office was conducted in New York during the week commencing July 26th - 29th 2016.

The Honorable Forrester Carroll assumed the position as Consul General on July 1st, 2013. The staff complement at the time of our review was ten (10) consisting of four (4) local hires, and six (6) diplomatic staff.

An Official Handing – Over Statement listing the several accounts and balances, along with an updated inventory listing was not executed when the Consul General assumed office.

The Bahamas Consulate General Office operates three (3) non-interest bearing bank accounts namely: (i) A Revenue Account, (ii) Payroll Account and (iii) An Operational Account. Two authorized signatures are necessary for the processing of cheques.

The Bahamas Consulate General Office is in possession of a debit card, which is assigned to a Senior Officer. In addition, the Consulate General’s Office is in possession of several cell phones, which are assigned to Senior Officers.

The Bahamas Consulate General Office is currently in possession of two leased vehicles, which are assigned to the Consul General. The Lessor maintains one, and the Consulate maintains the other. A Petty Cash for \$200 was established to facilitate miscellaneous expenses necessary for the daily operation of The Bahamas Consulate General.

Revenues

4.192 Revenues are collected from three main sources: Visas, Passports and Authentication. According to the records provided by the Consul General Office, revenue collected and remitted to MFA headquarters during the fiscal year 2014/2015 was \$152,525 compared to \$193,502 for the fiscal year 2015/2016. This is an increase of \$40,977 or 27%.

Remittance of Revenue

4.193 The last remittance of revenue in the amount of \$16,970 was on July 1, 2016 for the month of May 2016 as shown in the Revenue Remittance Schedule.

REVENUE REMITTANCE - MAY 2016		
DESCRIPTION	RECEIPT NUMBERS	AMOUNT (\$)
Visas	253966 - 254055	15,400
Notary Fees	253657 - 253658	560
Passports	837685 - 837701	1,010
TOTAL		16,970

4.194 During the review of the collection and depositing of revenue for the period July 2014 to March 2015, we discovered that the accounting records were disjointed. This impeded the audit progress. As a result, the total amount of revenue collected could not be determined. Based on our examination, it is apparent that there was lack of oversight by management. We noted however, an attempt by the newly assigned Finance Officer to organize the accounts, so that the outstanding revenue could be determined.

4.195 **We view this matter with concern and recommend that management seek clarification as to the revenue processed during the period in question. In addition, all revenue should be forwarded to MFA for deposit in the Consolidated Fund Account.**

4.196 During our review of a sample of accounting records, we noted that a large number of payment vouchers did not have the necessary signatures affixed authorizing the payments.

4.197 **We recommend that all relevant information and attachments be in place to facilitate the audit trail.**

4.198 During our review of a sample of the accounting records, we noted a number of credit card payments that could not be verified as to whether the necessary authority was given.

4.199 **We recommend that all payments be properly authorized before any payment is made.**

SECTION FIVE



REVENUE & EXPENDITURE AUDITS

Segregation of Duties

5.01 We observed during our audit that there is a segregation of duties issue within the NAGB. The following outlines the issues that we observed:

- The Director has the ability to prepare and approve cheque requests, prepare and approve rental agreements for facility rentals, and functions as the human resources manager.
- The Registrar has oversight of the Registrar's Office, the Gift Store, Memberships, and Donations. The Registrar also acts in the capacity of the Librarian, has custody of the Petty Cash and logging all transactions into the Point Of Sales system and other applications.
- The Accountant prepares and processes the payroll without any oversight or periodic monitoring.

Implication:

A fundamental element of a strong system of internal control is the segregation of duties. Segregation of duties dictates that in order for the system of internal control to be effective there needs to be an adequate division of responsibility with each process.

Segregation of duties issues would continue to exist, if the custody of assets, authorization or approval of related transactions affecting those assets, and the recording and reporting of related transactions is not segregated in critical areas of the organization.

We recommend that no one employee be responsible for initiating, approving, recording and reconciling transactions. Also, the handling of assets and reviewing of reports should be segregated. If internal control is to be effective, there needs to be an adequate division of responsibilities among those who perform accounting procedures and/or control activities. When accounting duties cannot be sufficiently segregated due to staffing constraints or departmental structure, it is important that mitigating controls, such as detailed reviews by upper management be implemented to reduce risks of fraud or misappropriation of funds.

Payroll

National Insurance Board (NIB) Contributions

- 5.02 We observed during the examination of personal emoluments that National Insurance (NI) contributions for a part-time employee was not paid (as per the NIB's contribution policy) nor was it deducted from the employee's salary. This employee was employed with the gallery for ten (10) months from September 1, 2015 – June 30, 2016.

We further observed that NI contributions were being paid for several months after an employee had resigned from the NAGB. The employee resigned on February 27, 2015 but the NI contributions continued from March 2015 – June 2015.

Implication:

It is imperative that the NAGB is not in contravention of the employment or NIB Act. Payment of National Insurance contributions by employed persons is to provide Social Security Coverage, in the form of Benefit Payments to insured persons and their dependents, against the following contingencies: Sickness, Funeral, Invalidity, Maternity, Retirement, the death of the family's bread-winner (Survivorship), Industrial Injury (including Disablement), Death and Medical Care. The risk of nonpayment of contributions would not only disenfranchise the employee but it would also prevent them from enjoying any benefits from the NIB.

We recommend that NI Contributions be deducted from all employed person's wages before they are paid, which would apply to both full and part-time employees (as per NIB's contribution policy). Further, upon receipt of notification that an employee has resigned, the NI deduction should cease.

Expenditure

Payment made using Quotes

- 5.03 We observed during the examination of expenditure that payments were being made based on quotations and estimates rather than vendor invoices.

Implication:

A quote is a formal estimate that shows the products or services needed, and the dollar amount for those products or services. When products or services are received and accepted by an organization, an invoice is prepared, upon which, payment should be made. If a payment is made based on an estimate or quote the NAGB may risk overpaying for goods and services not received.

Payment on quotations is not an allowable practice, as this could result in duplicate payments. When goods are delivered or services performed, verification of the completeness of the process should be performed through a comparison of the purchase order to the invoice. A quote is subject to change and it should not be relied upon as evidence around the delivery of goods or performance of services. Payments being made on quotations show that there may be instances where the goods were not received or services were not performed, as the invoice and verification of same bears the evidence from the vendor that the transaction has been completed.

If pro-forma invoices are being utilized (quotes used for prepayment purposes), there should still be a final invoice issued to complete the purchasing process. Pro-forma invoices should be clearly identified on the vendor file as well as in the system to ensure there is no duplication of payments.

We further recommend that no payments be made using quotations as the final source documents. Invoices should always be obtained from vendors in order to process final payments. We also recommend that in circumstances where prepayments are approved by the relevant authority, pro-forma invoices be used in the first instance with final invoices issued when goods are delivered or services rendered.

Revenue

Gift Shop Revenue

5.04 We observed during the examination of gift shop revenue that there were some internal control deficiencies around the processing, collection, and depositing of this revenue. The following issues were noted:-

- There is no segregation of duties between the processing of transactions, the collection of cash, and the deposit of cash and cash equivalents into the bank, i.e. this process was performed without any end-of-day management oversight.
- Cash and cash equivalents were not deposited into the bank in a timely or systematic manner.

- It was noted on ten (10) occasions that bank deposit slips were written without the depositor's initial and at times, without the date.
- There is a personal safety issue concerning the mode by which the store clerk makes bank deposits.
- The gift store clerks were using the same user name and password to process transactions.
- All revenue generated goes through the point of sale system in the gift shop, however there were issues in capturing the appropriate customer information connected with each stream of revenue, i.e. ticket sales, shop sales, rental fees, membership fees, donations, and consigned goods were not descriptive enough to analyze the revenue streams to ensure they were categorized appropriately.

Implication:

Whenever an employee has custody of cash and cash equivalents there is a risk of loss through employee errors and/or misappropriation of the asset if the appropriate monitoring of same is not occurring. Strong internal controls should be designed and implemented to ensure employees are aware of policies and guidelines around the handling of assets. Roles and responsibilities should also be clearly defined to ensure proper segregation of duties are present so that no one employee has the ability to commit and conceal a fraudulent act.

The collection and subsequent deposit of funds should always be timely and systematic, i.e. all deposits are signed off as prepared and reviewed at the end of each day or the following day if circumstances do not allow same day deposits. Appropriate measures should be taken to ensure that not only liquid assets are secured but also the personnel with responsibility for those assets.

Further, system transactions that support the revenue process should be distinguishable not only by descriptors but also by the person posting the transactions. When there are flaws in the security of a process and in the system it is difficult to detect whether discreditable acts are occurring within that process. Deposits should not have to be made in a haphazard manner as a way to prevent or deter risks around personal safety when depositing cash.

We recommend that stronger internal control over the gift shop's revenue be implemented so that the store's performance can be measured, monitored and adequately operated. The following should be considered to further enhance control over gift shop revenue:

- Separation of employee duties relating to receipting, processing and reconciling of revenue.
- Bank deposits should be carried out daily, as necessary, and all bank documents, such as deposit slips completed accurately.
- Staff responsible for making bank deposits should be transported to the bank in a secured manner or mitigating the risk of exposure in depositing cash could be by way of an armored truck, night versus over the counter deposits, and rotating the personnel making the deposits.
- System passwords should not be shared and IT personnel within NAGB should ensure that all personnel assigned to use the Point of Sale (POS) system be assigned their own unique password.
- NAGB management should review the Gift Store's POS system periodically to ensure that it is capturing all revenue and related reports.

Facilities Rental Revenue

5.05 We observed during our examination of revenue that the "Facility Rental Request Form" was at times incomplete with many inconsistencies. Our examination revealed that there were sixty-seven (67) rental events for the audit period and eleven (11) of these events were marked as "complimentary". Additionally, the forms lacked the Event Coordinator and Director's signatures and approvals resulting in incomplete rental contracts. Further, we noted that the same invoice number was used for five (5) different rental clients.

Implication:

The NAGB is situated on a ridge overlooking Old Nassau and the beautiful harbour, and this historic mansion, formerly known as the Villa Doyle, has proven itself to be the perfect setting for intimate weddings, private dinners, fundraisers, birthday parties and musical concerts. As this is one of the NAGB's revenue streams, it is important that the customers' liability be established when executing the facilities rental agreements. When a facilities rental agreement is incomplete, it lends to the liability becoming the responsibility of the gallery. Further, if an event is complimentary and same is not properly approved and documented through the facilities rental agreement, the gallery would be exposed to further liability for any damages incurred on property during the event.

We recommend that the Facility Rental Request Form be fully executed by all parties, and all complimentary events be approved based on standardized criteria and limitations placed on the amount of allowable complimentary events per annum. Additionally, a policies and procedures manual should be introduced to ensure that there is uniformity when processing rental documents inclusive of a defined invoice numbering process.

Banking

Banking Reconciliations

5.06 We observed during the audit that a manual process is being utilized for cheque preparations. We further observed that the NAGB maintains a savings account, however, neither this nor the operational account are being reconciled.

Implication:

Bank reconciliation is a necessary financial tool in understanding and reconciling the transactions that occurred during a given month. It also assists management in recognizing and accounting for any differences between the general ledger (NAGB's internal accounts) and the bank account that may otherwise go undetected. Ensuring the accuracy of banking and accounting records through monthly bank reconciliations will keep NAGB more informed as to its financial condition and allow management to make better financial decisions regarding its budget.

We recommend that bank reconciliations be prepared monthly for all NAGB bank accounts. The person responsible for processing cheques should not have sole custody of the cheque books, and prepare the monthly bank reconciliations, without the proper monitoring of bank balances and statements by management. This would ensure that there is management oversight of the banking process.

Commingling of Funds / Account

5.07 We observed during our examination of the bank statement that fifty thousand dollars (\$50,000.00) was transferred from NAGB's savings account to the current/operational account in order to facilitate monthly gallery expenses. Due to no reconciliations being prepared for the bank accounts it could not be ascertained from which source the funds were derived.

Implication:

Revenue collected from donations, membership dues and rental of the facility are all revenue streams for NAGB which are deposited into NAGB's savings account. Revenue generated from operations should be deposited into the chequing account to properly assess the benefits arising from operations. If properly accounted for in the chequing account, the funds received from membership dues and facility rentals can offset any operational overruns outside of the budgeted funds allocated. There should be a segregation between donated funds for specific projects and funds generated from operations, otherwise the NAGB runs the risk of utilizing funds in operations that were not donated for operational activities.

We recommend that NAGB document the purpose of the savings account and funds within that account be used for its designated purpose. Funds generated through regular operations should be deposited into the chequing account and reconciliation performed on a monthly basis. Transfers from NAGB's savings account to cover operational expenses should be re-deposited into the savings account once subventions have been released to NAGB. Additionally, NAGB's operational account should be monitored to ensure that when it reaches an established threshold, a replenishment procedure is activated.

Government Vehicle

- 5.08 We observed during the audit of NAGB that there was only one (1) general use vehicle assigned to this organization. We further noted that the vehicle is standard shift so it prohibits use of the vehicle by all staff except for two (2) persons, namely the Director and the Digital Administrator.

Implication:

Based on the current manual operating environment of the NAGB, many processes within the NAGB requires transporting staff to different locations to ensure approval and execution of purchase requests, cheque signing, bank deposits, and collection of art. These multi-location tasks should not disrupt the daily functions of the Director and the Digital Administrator due to only these two (2) persons having the ability in driving the assigned standard shift vehicle. The lack of other personnel's ability in driving this vehicle is causing a hindrance in the efficient operation of the noted processes within the NAGB.

We recommend that a vehicle(s) be obtained that can be utilized by all members of staff and that it has the capacity to transport the assets of the NAGB securely.

Conclusion

5.09 In conducting this audit we noted that there are opportunities for improvement in strengthening the accounting, human resources and management of the NAGB. The Board of Directors, NAGB Director and management of Ministry of Youth, Sports and Culture have to ensure that internal controls are strengthened and that there is transparency and accountability in managing the gallery.

- (1) The NAGB should consider recruiting fulltime staff in the following areas:-
 - An Administrative Assistant for Director
 - Human Resource Personnel
 - An Accounts Clerk
 - Gift Store Personnel
- (2) The handling of cash and cash equivalent should be segregated and if internal controls are to be effective, there needs to be an adequate division of responsibilities within this process. Allowing a single staff member to have authority to control, record, process, and deposit the NAGB's revenue makes the process more susceptible for that individual to commit and conceal fraud.
- (3) The accounting function from The Ministry of Youth, Sports and Culture should ensure that National Insurance contributions are deducted and ceased when employment is terminated.
- (4) Bank reconciliations for the chequing account should be prepared by the accountant who has the responsibility over the management of this account on behalf of the Ministry of Youths, Sports, and Culture. The bank reconciliation should then be reviewed and approved by NAGB's management.

In regards to the savings account, management should assign a staff member with the responsibility to reconcile the donations contained therein on a monthly basis that would show the name of the donor, amount donated and the date of the donation. This should be reviewed and approved by management with reporting of same to the Ministry of Youths, Sports, and Culture.

- (5) All vendor payments should be paid based on invoices rather than quotes. Vendor payments should always receive the appropriate level of scrutiny and approval before processing. It is imperative that the finance function and management are cognizant of their role in ensuring that government funds are expended for the purpose intended. Payments made for goods and services should always be disbursed with prudence and transparency.
- (6) The Facility Rental Request Form should be fully executed by all signatories to ensure that terms and agreement of same are agreed upon and liability established. All rentals of the NAGB should be properly documented in an annual schedule of rentals that would detail the name of the renter and agreed terms, including cost. This schedule should also include any complimentary rentals that should be approved in advance in the same manner as a regular rental. Complimentary rentals should meet a specific criteria agreed and approved by management and the Board of Directors.
- (7) All transactions processed for the NABG should be segregated in the system and sufficiently detailed to ensure transparency within the varying revenue streams. These transactions should be contained in end of day reports that are reviewed and approved by management daily with proper sign-offs by the preparer and reviewer.
- (8) Bank deposits should be properly executed on signed and dated deposit slips that are reviewed by management along with the end of day reports before transmittal to the bank.
- (9) All gift store personnel should have their own username and password in order to process any transaction within the gift store's system. Staff should be cautioned as to the need to secure their passwords and to not let other staff members utilize their passwords.
- (10) Commingling of funds should not be encouraged and NAGB's accounting personnel along with the Ministry of Youth accounting staff should ensure that the NAGB operational account maintains a balance each month that can accommodate its monthly expenses. Additionally, funds transferred from NAGB's savings account into the operational account should be transferred back immediately.
- (11) Automatic vehicles should be obtained for general use of the staff of the NAGB.

National Art Gallery Management Response:

Segregation of Duties

It is agreed that it is necessary to improve internal controls at the NAGB.

1. In the draft audit report it was noted that the Director prepares rental agreements. NAGB protocol in fact dictates that the Office Manager prepare all rental agreements. There have been cases where the Office Manager neglected to fulfill these duties and the Director stepped in to ensure the client was cared for.

Action: Steps have been taken to end this practice. The Office Manager will be entirely responsible for all Rental Agreements and Registrar for logging the appropriately and consecutively numbered invoices in our QuickBooks system

Management Response:

2. The Director is, indeed, in the position of acting as Human Resource Manager. To mitigate this somewhat, department heads are asked to oversee and manage their staff directly in terms of timelines, time-back/overtime, scheduling vacations, etc. It would definitely benefit the institution to have an HR manager and we will ask the Government for the additional funding necessary to hire someone for this position.

Action: Request added funding in 2018 – 2019 Ministry of Youth, Sports and Culture budget to hire an HR Manager.

Management Response:

3. Segregation of initiating approving, recording and reconciling transactions.

Action: Protocols have been changed: Employees make expenditure requests to Heads of Department, who operate within the confines of budget restrictions indicated by the overall operating budget. Check requests are executed by the department and both the Head of Department and the Director must sign off on the request.

Management Response:

4. Registrar's Duties.

Action: Protocols have been changed: Duties are overseen or shared with various department heads: The Chief Curator has oversight of the art holdings; the Executive Director has oversight of the store deposits and donations; Library is shared with Education Officer and Petty Cash is being handed over to Office Manager.

Accountant / Payroll

Management Response:

5. The Director directs all Expenditure including Payroll. The Board-approved contracts are submitted to the Ministry and the Payroll is prepared accordingly.

Action: In the future, payroll report will be reviewed monthly by NAGB management and must be signed off prior to any payment being made.

Payroll

Management Response:

6. National Insurance Contributions are paid by the Finance Officer, who works for and is directly supervised by the Ministry of Youth, Sports and Culture and NAGB Director.

Action: In the future, payroll reports will be reviewed monthly by NAGB management and must be signed off prior to any payment being made.

National Insurance Contribution

Management Response:

7. In the past, the NAGB was of the view that part time employees were not required to make contributions because, in some cases, contributions are made by the other employer.

Action: Contributions will be made for all part time employees and will cease immediately after employment ends.

Expenditure

Management Response:

8. A few suppliers require payment before receipt of goods. In these instances, the final invoices are received by sometimes there is a delay in reaching the Ministry, or they are retained at the NAGB.

Action: The hiring of a clerk will solve this problem as more focus and attention will be placed on accounting matters at the Gallery's Office. A Purchase Order system is being implemented and all invoices will be collected and properly filed.

Revenue – Gift Shop

Management Response:

9. Recommendations have all been noted.

Action: Every effort will be made to implement to the recommendations.

Revenue – Facilities Rental

Management Response:

10. Recommendations have all been noted.

Action: Every effort will be made to implement to the recommendations.

Banking

Management Response:

11. The recommendations have all been noted.

Action: Every effort will be made to implement them.

Government Vehicle

Management Response:

12. The recommendation has been noted.

Action: The NAGB has sent a communication to Ministry of Finance to make a request for an automatic van. Also, we are in discussions with Central Bank of The Bahamas to acquire an automatic van with their support.

Security

Management Response:

13. The recommendation has been noted.

Action: A request will be submitted in the 2018 – 2019 budget submission for two (2) more Security Officers.

Conclusion

The NAGB thanks the staff of the Auditor General for their transparency, professionalism and insight. We will work assiduously to implement the Auditor General's recommendations.

With regard to further staffing (Security, HR, Administrators Assistant, Gift Store) it is agreed that these are necessary. However, funding these annual salaries for all under the current NAGB operating budget would not be possible. As a result, we will request additional funding from the Ministry of Youth, Sports and Culture.

THE REGISTRAR GENERAL'S DEPARTMENT

The Registrar General Department is located in New Providence as No. 50 Shirley Street and in the Fidelity Building in Freeport, Grand Bahama. The Department is responsible for the collection of revenue for Companies, Business Names, Marriages, Birth/Death Certification, Intellectual Property (Trademarks & Patent),

Copyright, Deeds and Documents and Searches. Mrs. Deirdre Maycock is the Acting Registrar General and has been in that position since May 21, 2013.

The Registrar General Department has a staff compliment of 81 employees, who are dedicated to fulfilling the mandate of the department. In 2012 the Registrar General Department introduced the Maritime and Management Act and the Executive Entity Registration Fees.

MISSION STATEMENT

The mission statement of the department is to record documents for posterity; providing prompt and efficient service with integrity to the public; and generating revenue for the Government of The Bahamas.

VISION STATEMENT

The Departments' vision statement is to develop leaders and promote an effective and knowledgeable cross-trained staff, ready to face the challenges of the twenty-first century and beyond.

Revenue

- 5.10 According to the revenue schedule provided by the Registrar General's Department, total revenue collected during the periods 2014/2015 and 2015/2016 amounted to \$23,645,593.62 and \$23,696,433.34 respectively.
- 5.11 During the audit examination of the revenue reports forms, which indicates total revenue collected each day, it was noted that the signature of the designated officer was not always affixed in the space provided.

Implication:

All forms are not properly processed to ensure transparency of funds collected.

We were informed that it is not a policy to have all sections of the revenue report completed; however, we recommend that the department ensure that the forms are completed when processing revenue, as a good accounting practice.

- 5.12 During our review, a request was made for revenue reports from the Family Islands. We were informed by the Finance Officers that revenue reports were not generated by the Family Island Administrators.

Implication:

This presents an opportunity for malfeasance and lack of transparency of Government revenue.

We recommend that each Family Island Administrator submit a Revenue Report so that they can accurately give an account of the total revenue processed.

Dishonoured Cheques

- 5.13 During our review, we noted that dishonoured cheques totaled \$69,993.00 for the period under review a sample is listed below. According to the dishonoured cheques listing provided, the department has an accumulated total of \$392,976.49 up to July 31, 2016. We were informed that the department is continuing its effort to have the dishonoured cheques cleared.
- 5.14 We recommend that, in order to limit the amount of dishonoured cheques, as far as possible, certified (manager's) cheques be accepted by the department. Additionally, efforts should continue to have the dishonoured amounts made good. According to the Treasury Circular No. 3/2007, dated March 1, 2007, the following measures should be implemented to mitigate or minimize the number of dishonoured cheques:-
- a. Instruct cashiers to scrutinize all cheques for common 'over-sights' such as: 'date missing', 'signature missing' or 'words and figure do not agree', 'mailing address and telephone number'.
 - b. Obtain and secure an identifying departmental stamp.
 - c. Stamp the back of each cheque for deposit with the departmental stamp.

- d. Accept certified cheques or cash only when receiving settlement of dishonoured cheques specifically for items returned for insufficient funds or refer to drawer.
- e. Specify on 'Form A' (Receipt): '022-1961100-11 amount of returned cheque 022-9192112-11 service charge amount; transaction number; drawer, and bank code.
- f. Upon settlement, forward all pertinent information expeditiously to the 'Cash & Public Debt Management Section', so that entries can be cleared.

Delinquent Accounts

- 5.15 During our review, it was noted that there were 2,228 delinquent IBC companies with outstanding annual fees. During the months of April 1 to October 31, a 50% fee is charged. At the time of our review we could not determine the amount of monies owed by these companies. We were informed that management would address the situation.
- 5.16 **We recommend that a delinquent section be engaged to handle the follow up of all delinquent accounts.**

Birth Certificates

- 5.17 According to the birth certificate register provided by the Registrar General Department there were 4,313 new births registered in 2014/2015 and 4,022 during the period 2015/2016. It was noted that the birth certificates were not stored on a hard drive, nor were the copies of the certificates secured in a fire proof cabinet.
- 5.18 **We recommend that all birth certificates be copied onto a hard drive, and duplicate copies be secured.**

Marriage Licence

- 5.19 According to the Marriage Register provided by the Registrar General Department there were 3,890 new couples that were married in 2014/2015 and 3,663 in 2015/2016. It was further noted that the marriage certificates were not stored on a hard drive, nor were copies of the certificates secured in a fire proof cabinet.

- 5.21 We recommend that all marriage licences be copied onto a hard drive, and duplicate copies be secured.

Internal Controls

- 5.22 During our audit review it was noted that internal controls have been strengthened in that:-
- a. The official Registrar General seals which authenticates documents are properly secured,
 - b. Employees change their password every three (3) months,
 - c. Voids are being approved by the accounts supervisor.

Search Cards

- 5.23 During our audit, we were informed and observed that controls have been implemented to ensure that fraudulent activates are mitigated in that:-
- a. Birth verification letters are not requested through the Department of Public Health for Family Island clients.
 - b. Clients in Nassau can ascertain search cards once they collect a positive hospital letter (confirmation letter to confirm that the child was born at a medical facility in The Bahamas) accompanied with one (1) other supporting document (e.g. passport, voters' card, or clinic card).

Previous Audit Concerns

- 5.24 During our audit we observed that there still is a challenge with adequate storage space to secure files at No. 50 Shirley Street, as indicated in our correspondence DAG/C.9/201 dated 15th June 2009, as follows:-
- a. Highly sensitive records were not adequately stored, due to shortage of storage space.
 - b. Companies' files were stored in cabinets that were not fire proof.

- c. Deeds and other records are stored on top of filing cabinets or wherever space can be found. The deeds contained irreplaceable records going for decades.

5.25 We recommend that every effort be made by management to properly secure the documents.

THE PORT DEPARTMENT

5.26 The Port Department has two offices in New Providence, situated at the Prince George Wharf and Potters Cay Dock; one (1) substation is located in Grand Bahama and Abaco.

5.27 The constitutional rights outlined in the Acts allow the Department to perform their key functions and responsibilities, which include but are not limited to the following:-

- Domestic Trade – The Bahamas is dependent upon a network of domestic shipping and port facilities for the transportation of passengers, mail and various goods and supplies among its many islands. The inspection, certification, and regulation of the officers, crews, and vessels engaged in The Bahamas’ domestic trade has been the responsibility of the Port Department under the Ministry of Transport and Aviation.
- Ocean-going Vessels trading to and from The Bahamas – Nassau and Freeport are important ports-of-call for foreign-flagged international ocean-going passenger and merchant vessels. Other ports among the Islands are also rapidly achieving greater prominence as international ports-of-call. The Bahamas provides services and port facilities to these internationally trading vessels and will be called upon increasingly to do so. The Bahamas also carries out inspections (under the aegis of The Bahamas Maritime Authority and Port Department) of certain of these foreign flagged vessels calling on The Bahamas pursuant to The Bahamas’ status as a Port State, and as signatory to various international agreements and conventions.
- Legislation and Regulation – various laws and regulations govern the registration, inspection, certification and regulation of domestic Bahamian shipping, and of international Bahamas-flagged shipping, both respectively and collectively. The body of applicable Bahamian laws and regulations has grown over many years, and is reviewed regularly to

assure its consistency and relevance, clarify responsibility and close any gaps in coverage.”

- “The Port Department is responsible for enforcing strict safety measures and conducting timely inspections on all vessels licensed with the Port. There are three areas to which the Port has a direct relationship within The Bahamas”.

5.28 The Department is “committed to excellence by providing quality services to its customers, regulating all maritime and environmental issues within the Port, and providing training and career development opportunities for its staff”.

5.29 The Port Department oversees proper operations of twenty three (23) ports, harbours stalls/offices on the Potters Cay Docks and beaches in New Providence and the Family of Islands.

5.30 The table shows the estimated revenue and the actual revenue collected for the fiscal period 2014/2015 and 2015/2016 as shown in the Revenue Comparative Analysis Schedule.

REVENUE COMPARATIVE ANALYSIS		
PERIOD BUDGETED	ESTIMATED REVENUE AMOUNT	ACTUAL BUDGET AMOUNT
2014/2015	\$7,185,000.00	\$8,537,951.58
2015/2016	\$8,170,000.00	\$7,174,955.21

Findings and Recommendations

Revenue

5.31 The total estimated revenue generated from cruise ships (fees), boat and jet ski licenses, jets, docks, marines registration and licensing fees collected during the period 2014/2015 and 2015/2016 amounted to \$8,537,951.58 and \$7,174,955.21 respectively. This represents a decrease of \$1,362,996.36 or 15.96% for the fiscal period 2015/2016.

General Receipt Register

5.32 During our review of the General Receipt Book Register the following unused general receipt books were on hand at the Port Department to facilitate the collection of revenue. The books were verified as listed as shown in the General Receipt Book Register.

GENERAL RECEIPT BOOK REGISTER	
RECEIPT NUMBER SERIES	TOTAL BOOKS
32001 - 32250	60 Books
32001 - 32250	10 Books

5.33 During our review of the accounts receivable ledger:-

- (i) Revenue outstanding as of June 30, 2016 totaled \$3,868,308.07 for water usage at Prince George Book, tug boat fees, and annual fees for New Providence, Paradise Island and the Family Islands as shown in the Outstanding Revenue Schedule.

OUTSTANDING REVENUE	
DESCRIPTION	AMOUNT (\$)
Water Usage at Prince George Dock	725,535.96
Tug Boat Fees	596,099.16
Annual Fees for New Providence and Paradise Island.	705,638.95
Annual Fees for Family Islands	1,841,034.00
Total	3,868,308.07

- (ii) Water supplied at Prince George Dock, outstanding amount totaled \$725,535.96. As a result, of our examination of the accounting record, we noted that the outstanding amounts continue to increase. We were advised by the accounts personnel that letters of outstanding balances have been forwarded to the cruise line operators. However large amounts are still pending totaling \$628,284.18.

Implications:

There is a great concern in regards to the large amount of revenue that remains outstanding on an annual basis for services provided by the Port Department. The Port Department is not enforcing the laws (penalties) prescribed by the Act. They are allowing persons/companies to utilize Port services without paying the required fees. As a result, the Government continues to lose revenue, and has to bear the cost of these services.

We recommend that management:-

- a) Vigorously pursue the collection of the amounts outstanding;
- b) Establish a collection centre or
- c) Impose the penalty as prescribed in Section 40 A (3) of The Port Authorities (Amendment) 2013.

- (iii) It was further noted that an inordinate time (5mths – 5 years) had elapsed before payments.

Implication: Loss of revenue.

We recommend that management should continue its efforts to collect revenue owed to the Department.

- 5.34 Tug boat fees remained outstanding in the amount of \$569,417.49 as of June 30, 2016.

Implications:

The Port Department is to enforcing the laws (penalties) as prescribed by the Act. They are allowing persons/companies to utilize Port services without

paying the required fees. As a result, the Government continues to lose revenue and has to absorb the cost of these services.

We recommend that management:-

- a) Vigorously pursue the collection of the amounts outstanding;
- b) Establish a collection centre or;
- c) Impose the penalty as prescribed in Section 40 A (3) of The Port Authorities (Amendment) 2003.

5.35 The annual fees for New Providence and Paradise Island are as follows:-

- (i) Uncollected fees up to June 30, 2016 totaled \$705,638.95.
- (ii) The following companies owe 80% of the uncollected fees as shown.

OUTSTANDING TUG BOAT FEES		
COMPANY	OUTSTANDING PERIOD	AMOUNT (\$)
A	01/01/98 - 30/06/16	363,837.61
B	01/01/03 - 30/06/13	16,470.38
D	01/01/97 - 30/06/16	127,186.11
C	01/07/03 - 30/06/16	40,536.48
E	01/01/03 - 30/06/08	18,730.40
TOTAL		566,760.98

Implication:

The Port Department is to enforcing the laws (penalties) as prescribed by the Act. They are allowing persons/companies to utilize Port services without paying the required fees. As a result, the Government continues to lose revenue and has to absorb the cost of these services.

We recommend that management:-

- a) Vigorously pursue the collection of the amount outstanding;
- b) Establish a collection centre or
- c) Impose the penalty as prescribed in Section 40 A (3) of The Port Authorities (Amendment) 2003.

5.36 The annual fees for Family Islands are as follows:-

- (i) Uncollected fees up to June 30, 2016 totaled \$1,841,034.00.
- (ii) The following companies owe 63% of the uncollected fees:

OUTSTANDING FAMILY ISLAND FEES		
COMPANY	PERIOD OUTSTANDING	AMOUNT (\$)
F	01/01/01 - 30/06/09	274,813.38
G	01/07/14 - 30/06/16	103,702.52
H	01/07/12 - 30/06/16	60,470.89
I	01/07/11 - 30/06/12	98,080.00
J	01/01/03 - 30/06/06	141,176.91
K	01/01/01 - 30/06/16	99,737.69
L	01/01/01 - 30/06/11	157,061.00
M	01/07/06 - 30/06/14	98,484.96
N	01/07/07 - 30/06/16	122,753.25
TOTAL		1,156,280.60

Implications:

The Port Department is not enforcing the laws (penalties) as prescribed by the Act. They are allowing persons/companies to utilize Port services without paying the required fees. As a result, the Government continues to lose revenue, and has to bear the cost of these services.

We recommend that management:-

- a) Vigorously pursue the collection of the amounts outstand;

- b) Establish a collection centre or
- c) Impose the penalty as prescribed in Section 40 A (3) of The Port Authorities (Amendment) 2003.

5.37 As per our previous audit report DAG/C.9/010 dated 01/09/13, we noted that Customs Department is responsible for the billing, collection, and the depositing of revenue for Pierage Fees from the Cruise Ships. However, we noted that the revenue reports are not provided to the Port Department. This poses a concern for management at the Port Department.

Implication: Improper record keeping and accounting procedures.

We recommend that the Customs Department generate and forward timely revenue reports to the Port Department, to ensure accountability and transparency of Government revenue, and to facilitate a clear audit trail.

5.38 During our review of revenue generated on the Family Islands the following were noted:-

- (i) There are several Family Islands without Port Offices which include Cat Island, Long Island, San Salvador, Acklins, Mayaguana, Ragged and Berry Islands and Inagua. As a result, revenue is collected by the Administrators Offices. However, we noted that in many instances the revenue reports (whether produced monthly, quarterly, bi-annually or annually) were not submitted by the Family Island Administrators. Further, we were unable to determine the amounts of revenue collected on the Family Islands, or the amount outstanding.
- (ii) Further, we noted that the following Family Islands: Abaco, Eleuthera, Exuma, Freeport and North Andros have port offices that collect revenue. Nonetheless the revenue collected is still taken to the Family Islands Administrator to be deposited to the Consolidated Fund.
- (iii) Freeport and Abaco are the only offices that generate monthly revenue reports for onward transmission to the Port Departments head office in Nassau. The last revenue report from Freeport was May 2016 which amounted to \$7,750.00 and Abaco was January 2016 amounted to \$75,968.35.

- (iv) Bimini has a Port Office; however, no revenue is collected. We were informed by management that revenue is not collected due to the lack of trained staff.

Implications:

Lack of audit trail, possible misappropriation of funds, and/or fraudulent activities going undetected.

We recommend the following:

- (i) The Family Island Administrators should be more accountable; ensuring that all government revenue are duly collected and deposited to the Consolidated Fund Account.
- (ii) Family Island Port Offices generate monthly revenue reports stating the total revenue collected and outstanding to be forward to the heads office.
- (iii) Management should ensure that all port officers are properly trained in the collection process as it relate to collecting dues.

Payment On Account

5.39 Given the sensitive nature of the Port being one of the main entrances to the Island for tourist, we acknowledge the need for adequate security personnel on the compound. However, such high levels of security coupled with inadequate parking, can serve as a deterrent to persons wanting to make payments or to update their accounts.

Implication: Loss of revenue.

We recommend that management consider payments being made at one of the more accessible Port Offices such as the one on Potter's Cay Dock to encourage clients who are willing to conduct business transactions.

5.40 During our review of boat registrations we were informed that there is inadequate communication between personnel responsible for collecting revenue for boat registration in Nassau and the staff with similar responsibility of malfeasance and lack of accountability for Government revenue.

5.41 During our review we were informed of misappropriation of funds. However, they were unable to supply documentation to support the same. Hence due to inadequate record keeping, we were unable to substantiate their claims.

Implication:

Possible misappropriation of funds and lack of audit trail.

We recommend that a supervisor be engaged with the responsibility for the Family Islands Port Offices to ensure that Port Officers, are adequately trained for their job responsibilities and writing up revenue reports.

- 5.42 We were informed by management that they are in possession of approval from Cabinet Department to increase their fees. However, they were advised that they must make the necessary update to the docks and ports before implementing the fee increases.

Implication: Increase in revenue.

We recommend that management continues to make the necessary update to the docks and ports to enable them to increase their fees.

Potters Cay Dock

- 5.43 While reviewing the ledgers for water and pierage fees for mail boat freight and fishing vessel, we noted that outstanding amount totaled \$921,390.47 for the period June 30, 2016 as stated in the Outstanding Fees Schedule.

OUTSTANDING FEES	
DESCRIPTION	AMOUNT (\$)
Pierage Fees for Mailboats and Frieght Boats	237,237.50
Water for Mail-Boats and Fishing Vessels	94,930.26
Pierage for Fishing Vessels	589,222.71
TOTAL	921,390.47

Implication: Loss of Revenue.

We recommend that measures be taken to address these matters.

5.44 It was also noted that pierage fees for mail boat and freight boats outstanding totaled \$237,237.50 for the period ending June 30, 2016.

Implication: Loss of Revenue.

We recommend that measures be taken to address the matter.

Outstanding Utility Bills

5.45 Water and Sewage outstanding bill amounted to \$140,743.50 as of May 21, 2016.

Implication:

The inability to maintain current accounts by vendors could lead to overpayment and or incorrect payment on accounts.

We recommend that management should continue to make every effort to bring their BEC/BPL and Water and Sewage bills up to date.

Conclusion

Risks in The Department

5.46 Management objectives for the Port Department are as follows:-

- To become an authority to enable them to meet the demands of a dynamic maritime industry.
- To have the department computerized with one central database.
- To increase fee structure

5.47 Through interview with management and line staff and through observation have determined that the risk at the department is high with regard to the revenue collection as internal controls are weak, in the following ways:-

- There is a great concern in regards to the large amount of revenue that remains outstanding on an annual basis for services provided by the Port Department.

- We were informed and observed that the Port Department is faced with the challenge of shortage of staff as well as shortage of trained Port Officers on the Family Islands. There is a shortage of Lighthouse Operators, on the Family Islands and Beach Enforcement Officers to cover the Prince George Wharf, Ferry Boats and Paradise Island.
- Inadequate communication between Port Officers in Nassau and the Family Islands Administrators in reference to generating monthly revenue reports to show the amount received and the outstanding amount.

FINANCIAL INTELLIGENCE UNIT

Suspicious Transactions Reports (STRs) – Rate of Completion

5.48 We observed that the FIU received five hundred and two (502) Suspicious Transactions Reports (STRs) for analysis during the calendar years 2014 and 2015.

5.49 The STRs were reported as follows:

- 2014 - Two hundred and five (205)
- 2015 - Two hundred and ninety-seven (297)

5.50 The number of STRs received during 2015 represented a 44.87% increase in reported transactions over the 2014 year.

5.51 Out of the 502 STRs reported during the 2014 – 2015 years, the closure rate for both years was at 35% in 2014 (72/205 reports) and 31% in 2015 (93/297 reports). Upon inquiry of management it was noted that the low closure rate of the STRs was said to be directly tied to the responsiveness of and confirmation from other Bahamas Government Offices and international regulatory bodies. It was also tied to the resolution of reports received from law enforcement, other regulatory bodies and foreign financial intelligence units. Table 1 below shows the rate of completion of STRs:

Table 1

SUSPICIOUS TRANSACTIONS REPORTS			
	CALENDAR YEAR		
DESCRIPTION	2014	2015	2-YEAR TOTAL (2014 and 2015)
STR's COMPLETED*	72	93	165
STR's NOT COMPLETED	133	204	337
TOTAL STR's RECEIVED	205	297	502
COMPLETED (%)	35%	31%	33%
NOT COMPLETED (%)	65%	69%	67%

**This closure rate included STRs passed onto the police (2014: 17 reports | 2015: 21 reports)*

- 5.52 We recommend that the Financial Intelligence Unit formulates a plan to directly combat the low closure rate of STRs. Timely completion of these requests is critical to the success of the FIU’s mission, which states, in part, “to effectively assist in detecting, assessing and eradicating all threats of money laundering and financing of terrorism to the global economy”. Having such a high rate (65%) of STRs unresolved year on year leaves the economy susceptible to probable threats in the areas of money laundering and terrorists financing.
- 5.53 We also recommend that in formulating this plan that the FIU ensures that it addresses its internal staffing issues and targets those Government Offices and international bodies that are hindering the investigative process.

Debit Card Usage

- 5.54 We observed during the examination of expenditure that the FIU maintains a debit card that is in the custody of the Deputy Director. The purpose of this card is for purchases and company travel as stated in the FIU’s policy manual.
- 5.55 Due to the volume of travel and other expenses charged to the card, certain latitudes were taken that appear contrary to the policy. We noted that the debit card does not have an assigned limit and was utilized in the following broad categories of expenditure during the two (2) fiscal periods under audit:

Table 2

DEBIT CARD USAGE			
	FISCAL YEAR		
DESCRIPTION	2014/15	2015/16	2-YEAR TOTAL (2014 to 2016)
TRAVEL EXPENSES	\$ 7,629.72	\$ 15,253.49	\$ 22,883.21
OTHER EXPENSES/FEES	\$ 190.28	\$ 711.11	\$ 901.39
LUNCH EXPENSES	\$ 424.53	\$ 376.64	\$ 801.17
TOTAL EXPENDED	\$8,244.53	\$16,341.24	\$ 24,585.77

- 5.56 We recommend that the debit card be restricted to incidentals during travel and not for the booking of tickets and hotels. It is not customary for a debit card to be used by a government agency for booking travel arrangements.
- 0.57 Expenditures amounting to twenty-two thousand eight hundred and eighty-three dollars and twenty-one cents (\$22,883.21) indicates that there should be a line of credit established with one of the travel agencies utilized by the government. This would prove to be more prudent and practical for continuous or anticipated travel expenditures and may assist in mitigating the risks associated with overseas travel.
- 5.58 We also recommend that a prescribed monthly or annual limit be placed on the debit card and replenishment is only after reconciliation of same is performed with the retention of adequate support for all expenditures, i.e. lunch expense receipts should indicate to whom and for what the expenditure related.

Official Entertainment

- 5.59 We observed during our audit that there were expenses relating to “official entertainment” that could not be justified by management through a written policy (i.e. no policy in place for this expenditure). The following table shows the total amount classified as official entertainment by management. It was noted that there was over a 400% increase in this expense year on year.

Table 3

OFFICIAL ENTERTAINMENT			
	FISCAL YEAR		
DESCRIPTION	2014/15	2015/16	2-YEAR TOTAL (2014 to 2016)
ENTERTAINMENT EXPENSES	\$ 527.00	\$ 2,491.00	\$ 3,018.00
TOTAL EXPENDED	\$ 527.00	\$ 2,491.00	\$ 3,018.00

5.60 We recommend that the FIU department implement a policy that stipulates what constitutes official entertainment. We further recommend that a dollar value restriction be placed on this expenditure to prevent extreme fluctuations year on year.

Terms Of Employment – FIU Director

5.61 We observed during the audit that the Director was appointed on two (2) consecutive employment contracts. These contracts were for a period of three (3) years each. According to the FIU Act, First Schedule, Section 1(2), the Director shall not be appointed or re-appointed for a period exceeding five (5) years. The execution of the second contract was in direct contravention of the FIU Act as it relates to the years of appointment.

5.62 We recommend that the Director’s current contract be appropriately amended to reflect the appointment terms as stipulated in the FIU Act. This would ensure that the post is vacated based on the five (5) year term per the FIU Act and not the current six (6) year term per the employment contract. This would also ensure that timeliness around the appointment of another Director is not hindered by this oversight.

Emoluments – FIU Director

5.63 We observed during the examination of personal emoluments that the Director of the FIU is a contracted re-employed pensioner. It was noted that this officer was receiving the contracted salary, gratuity on said contract (15%), and the allocated monthly pension granted upon retirement. This officer being in receipt of all of these emoluments contradicts policies set out in General Orders (2010) Chapter 13(Pensions) Sections 1313 and 1337. These sections speak to the remuneration of a re-employed pensioner and are outlined below:

Section 1313 - In the case of a re-employed Pensioner the Governor General may either reduce the remuneration in view of the pension the officer is receiving, or; order that the pension shall cease, and that when the officer subsequently retires a pension shall be granted on the basis that all his service in The Bahamas had been continuous, and account shall be taken of the pensionable emoluments the officer was receiving on his previous or final retirement whichever are the greater: provided that if the previous award included a gratuity, the gratuity payable on final retirement shall be reduced by the amount of the former gratuity.

Section 1337 - The re-engagement of an officer who has retired on pension can only be on temporary terms, and an ex-gratia gratuity will not be awarded to re-employed Pensioners in respect of the period of their re-employment.

5.64 We recommend that management adheres to the General Orders on pensionable emoluments for re-employed pensioners as noted herein. We also recommend that management ensures that the re-employed officer receive emoluments that equate the difference between the contracted salary and that of the pension being received. We further recommend that any gratuity paid on the contract(s) be recovered and the current contract be amended to be in adherence with General Orders.

Employment Application Forms

5.65 We observed during the examination of personnel files that there were no completed employee application forms on file. General Orders specifies that all employees should fill out a PSC 7 form upon employment to the Public Service.

Based on this fundamental Government policy, we would have expected to see application forms on file for each employee that would delineate basic employee information.

- 5.66 We recommend that FIU follows best practices along with General Orders guidelines pertaining to ensuring that all employees fill out a standard application form as part of the hiring process. This would enhance the file review process and, at a glance, the pertinent personnel information on each employee could be determined.

Increments

- 5.67 We observed during the examination of personal emoluments that the FIU follows the Public Service's policies as it relates to incremental increases and increases that fall under the Bahamas Public Service Union Industrial Agreement ("BPSU Agreement"). However, it was noted there were three (3) employees in the "M" and "I" Scales that were not receiving the correct increment based on the BPSU Agreement of 2014. The employee categories included the Messenger, Janitress and Receptionist.
- 5.68 We recommend that the FIU ensures that the remuneration owing to these employees be paid with changes of same reflected in their salaries.

Accumulated Vacation Leave

- 5.69 We observed during the examination of personnel files that two (2) employees were allowed to accrue vacation in excess of the fifteen (15) weeks allowable by the FIU Staff Regulations on Vacation Leave (Chapter 6 Leave and Absences).
- 5.70 It was also observed that two (2) other employees were granted less vacation leave than the amount stipulated in the FIU Staff Regulations, Chapter 6, Section 24 (b). The Staff Regulations state that employees are eligible for four (4) weeks annual paid vacation except for managers who are eligible for five (5) weeks of vacation leave.
- 5.71 We recommend that the FIU ensures that employees' accumulated vacation does not exceed the allowable fifteen (15) weeks. Employees who have

exceeded the stipulated threshold should be notified of same and required to bring the accumulated vacation leave in line with stated policy.

- 5.72 We also recommend that employees entitled to four (4) weeks of vacation leave be either remunerated for the vacation entitlement owed or the vacation weeks owed be added to the balance of leave not taken. These employees should be notified of the oversight by management in writing.

Pension – Policy and Pension Plan

- 5.73 During our examination of personnel emoluments, we were informed that the Unit presently does not have a pension plan for staff employed by the FIU. Persons who have retired or are about to retire would receive the four percent (4%) gratuity granted to non-pensionable persons who resign or retire from the Public Service after ten (10) years of continuous service.
- 5.74 We were also informed that although the FIU follows policies established in General Orders as guidelines for operations, the Unit would have to attain the Minister of Finance’s approval to implement a pension plan.
- 5.75 We recommend that management seeks clarification from the Government as to whether the Unit falls under the Pensions Act. If the Unit does not fall under this Act, the Government should stipulate which Act, policy or guidance should be utilized for persons attaining the age of sixty-five (65) and maybe seek to solve this issue by adding the FIU to the listing of Approved Authorities under the Pensions Act.

Staff Shortages

- 5.76 We observed during our audit that there appears to be issues in the areas of segregation of duties, work/business continuity and cross training. We held discussions with employees to determine whether these issues were systemic and were informed by several employees that they are inundated with a voluminous work load due to the staff shortages in critical areas. We further noted that there are only two (2) employees in the accounting function and one (1) employee assigned to the human resources and office manager functions.

- 5.77 We held discussions with management around the staffing and workload concerns and we observed that there are shortages of staff within the Unit, specifically in the Accounting, Human Resources, and Analysis sections.
- 5.78 **We highly recommend that the FIU seek to engage additional staff specifically in the accounting and human resources functions. This would allow these areas not to be micromanaged by the executive team due to limitations in staff.**

Conclusion

5.79 In conducting this audit we noted that there are opportunities for improvement in strengthening the management of areas within the FIU. Management has to ensure that the FIU has the following in this regard:

- An appropriate level of staff to achieve its goals;
- Defined staff roles and responsibilities;
- All staff training and development needs are met; and
- Continuous management oversight to ensure the FIU is effective and efficient in carrying out its mandate.

5.80 In order to maintain a sound system of internal controls, management has to ensure oversight is always maintained and that the following occurs:

1. A plan should be formulated to directly combat the low closure rate of Suspicious Transaction Reports.
2. A prescribed monthly and/or annual limit should be placed on the debit card. The card should be restricted for incidentals during travel. Booking of tickets and hotel accommodations should be sourced through a travel agency.
3. Implementation of a policy that defines the parameters of official entertainment and establishment of a budgeted amount for this expense.

4. The Director's current contract be amended to reflect the maximum appointment term of (5) years in accordance with the FIU Act.
5. Adherence to General Orders regarding pensionable emoluments for re-employed pensioners on contract should be maintained, i.e. the contracted salary, gratuity and pension should not form a part of the retired officer's emoluments.
6. All persons currently employed with the FIU should have an employment application on file and all newly hired employees should fill out this form before commencing employment.
7. Outstanding remuneration owing to employees in the "M" and "I" scales should be paid.
8. Employees accumulated vacation leave should not exceed the fifteen (15) weeks permissible.
9. Employees granted less vacation leave than stipulated in the FIU Staff Regulations should be either compensated for leave owed or the entitled weeks should be added to the balance of their vacation leave not taken.
10. Clarification should be sought from the government as to whether the FIU falls under the Pensions Act or whether the Unit can be added as an Approved Authority under this Act. Otherwise, guidance should be sought on which Act should be utilized for persons attaining the retirement age of sixty-five (65) within the Unit.
11. The FIU should recruit additional staff members in the following areas:
 - Accounting;
 - Human Resources; and
 - Analysis.

5.81 We hereby conclude that the FIU has to critically look at the management of the processes under its purview to ensure that the deficiencies and weaknesses found in the areas covered by this report are appropriately assessed and measures implemented to enhance the efficiency and effectiveness of the Unit.

SECTION SIX



GRAND BAHAMA

West Grand Bahama

Revenue Accounts
Central Government

Conclusion

6.01 The department did not demonstrate reasonable care in adhering to good and sound internal controls in that:

- (i) Funds collected were not deposited to the bank in a timely manner.
- (ii) Information per source documents and summary reports differed.
- (iii) Revenue collected could not be traced to related reports.
- (iv) Funds collected were not brought to account within a timely manner (within twenty-four hours of receipt) in an effort to mitigate the risk of theft or misuse/abuse of public funds.
- (v) All Bank Statements were not produced for audit inspection.
- (vi) Revenue accounts were not closed-out at year-end to RBC Consolidated Fund account.
- (vii) Deposits should be verified by two officers to ensure accuracy. Official evidence of the closure of the Deposit Fund (Collections) Bank Account must be presented for audit inspection.

Local Government Expenditure Accounts

Conclusion

6.02 The result of this examination was unsatisfactory.

- 1) All unexpended funds must be reconciled and transferred to the Reserve Account in compliance with Financial Regulations.
- 2) Tally Tapes must be provided in support of Population Completeness of Expenditure.

- 3) The legitimacy of Expenditure must be supported with Payment Vouchers that are mathematically accurate and supported with sufficient, relevant evidence.
- 4) Expenditures must be classified according to the prescribed authority.

The Port Department

Revenue Accounts

Conclusion

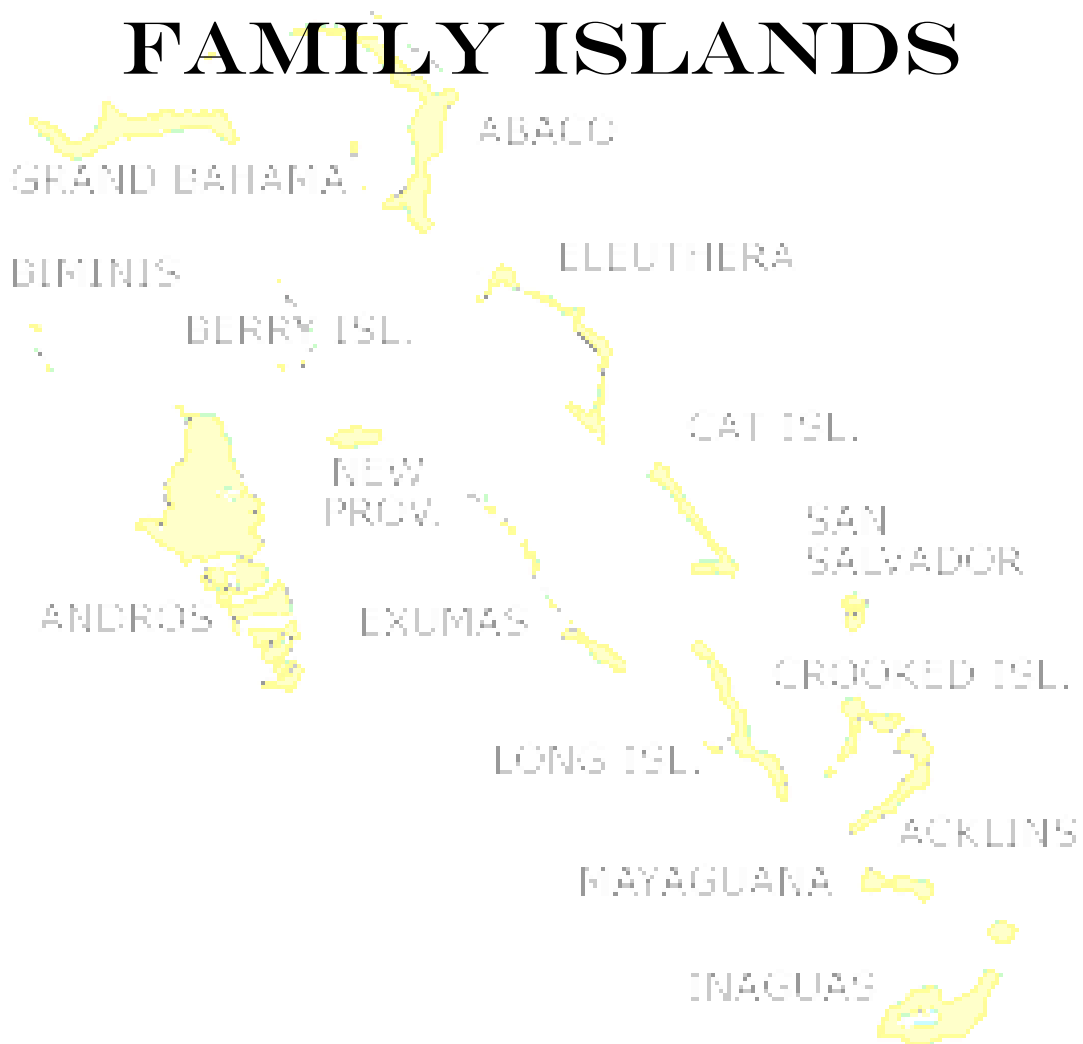
6.03 It is evident, from the results of this examination that the Port Department, in the administration of public funds has not employed all reasonable care in adherence to good and sound internal controls. Lack of adherence to established controls weakens the reliability of the information produced by the system.

- 1) Properly voided receipts must include the original receipt
- 2) Cash and receipts to be reconciled daily, so that irregularities are detected and properly addressed in a timely manner.
- 3) Deposited revenue must be reported to the Treasury in a timely manner (within 24 hours of depositing).
- 4) Treasury must ensure that revenue and other funds are recorded to the Actual Revenue Detailed Report in a timely manner.
- 5) A clear audit trail maintained of revenue/funds collected, deposited and recorded by Treasury on a daily basis.

6.04 It is our opinion that this department must exercise due diligence in the performance of their duties to ensure that Revenue is accurately assessed, collected, recorded and deposited intact and in a timely manner.

SECTION SEVEN

FAMILY ISLANDS



GREAT INAGUA ISLAND

Bank Reconciliation Statements

7.01 Bank reconciliation Statements were not presented for the following accounts:

- Central Government Recurrent
- Local Government Recurrent
- Consolidated Fund
- Deposit Fund Income
- Deposit Fund Expenditure

7.02 Bank Reconciliation Statements are an important aspect of internal control and could assist in the detection of errors and irregularities. Its importance should not be minimized.

7.03 **We recommend that statements be brought up to date and maintained on a consistent monthly basis.**

Central Government Recurrent Account

7.04 During our examination of payment vouchers in respect to repairs carried out in the district on behalf of various Government agencies the following observations were made:

- (a) The Administrator's signature appeared on behalf of the Central Government Agency; and
- (b) Block and Line/item numbers were not indicated on some payment vouchers, as indicated in the Expenditure Report Analysis Schedule.

EXPENDITURE REPORT				
DATE	VOUCHER NUMBER	HEAD/LINE ITEM NUMBERS	DESCRIPTION	AMOUNT \$
23.11.15	58	56/0991313-12	Payment provided in respect of painting of Public Cemetery Wall.	3,545.00
26.02.15	65	18/?	Payment for contractual work. Mobilization provided for the Airport Terminal Passenger Lounge.	9,106.75
12.03.15	15	18/?	Payment provided for additional work done at the International Airport, Matthew Town, Inagua.	4,207.46
12.03.15	19	18/?	Payment provided for repainting of the International Airport Terminal Building, Matthew Town, Inagua.	3,825.00
29.8.14	26	18/?	Payment provided in respect to additional fees for contractual repairs done to dock at North West Point, Inagua	9,106.75
23.01.15	59	56/0991313-12	Amount provided in respect of repair to drainage system in Inagua.	9,912.50
13.03.15	34	18/?	Payment required in respect of contractual work inclusive of installation of all electrical and air conditioning units at the Inagua International Airport.	7,495.15

7.05 We recommend that vouchers are validated by bearing the authorized signatures of the Central Government Agencies. It is further recommended that each voucher bear, line/item and block numbers to enable transactions to be charged to the proper account.

7.06 During our scrutiny of Central Government payment vouchers, it was noted that payment vouchers did not have supporting documents i.e. bills/rental agreements/contracts and food coupons to substantiate payment.

- 7.07 **We recommend that proper supporting documents be obtained and attached to the relevant vouchers prior to payments being made.**
- 7.08 We noted that payment voucher number 42 dated 16th January 2014 in the amount of \$9,600.00 was payment for additional office space and balance for labour and material. The contract was not attached to the file. It was further noted that the letter requesting payment from the company was addressed to the Minister of Local Government and not the Island Administrator.
- 7.09 **We recommend that the contract be presented and provided for audit review. We further recommend that letters of request for payment be addressed to the Island Administrator who has direct oversight of contractual agreements.**
- 7.10 At the time of our examination, we noted that a number of payment vouchers were missing from the expenditure file jackets; as a result procedures to ensure that payments were properly processed could not be performed. In addition, we observed that tally tapes were not attached to the expenditure file jackets.
- 7.11 **We recommend that payment vouchers be placed in file jackets in numerical order along with tally tapes attached to the files.**

Deposit fund Expenditure Accounts

- 7.12 During the course of our examination, we observed cheque stubs for the Deposit Fund Expenditure written in pencil.
- 7.13 **We recommend that cheque stubs be written in pen; this will make certain that details written on the stubs is not altered in an effort to facilitate the audit trail.**

Consolidated Fund Accounts

- 7.14 We noted that the revenue intake for the year ended June 30, 2016 amounted to \$38,575.93; a decrease of \$78,301.21 or approximately 67% below the preceding year's figure of \$116,877.14.
- 7.15 The difference in the revenue was said to be a result of the Bank of The Bahamas not transferring revenue to the Royal Bank of Canada in a timely manner.

- 7.16 We recommend that management investigate the reason for the delay in the transfer of funds between the two financial institutions and establish a more efficient method to account for revenue.

Post Office Accounts

Outstanding Money Orders – Saving Bank Accounts

- 7.17 Upon examination of the Post Office Saving Bank Accounts we noted a correspondence from the management of the Post Office Nassau, advising the Administrator at Matthew Town, Inagua of being delinquent in payments of accounts. We noted the last official remittance received by the Post Office Saving Bank was March 3, 2016, encompassing the period of November and December 2015 during our visit to the District.
- 7.18 We recommend that the Administrator adhere to the Ministry of Transport and the Postmaster Policy which mandates, “all Family Islands and Sub-Offices to pay their respective Accounts on a regular basis”. We further recommend that the outstanding accounts be brought up to date and presented to the Post Office Saving Bank without undue delay.

MAYAGUANA DISTRICT

Deposit Fund Expenditure

- 7.19 During the period under review, we noted that monthly balances were not reflected correctly in the Deposit Fund Expenditure manual cashbooks. Whereas payment transactions were posted to the cashbooks, and Treasury remittances forwarded were indicated. We observed that some of the cashbooks, and Treasury remittances forwarded were indicated. We observed that some of the cashbooks carried forwarded balances were incorrectly stated.
- 7.20 We view these incorrect balances to be a matter of concern and recommend that the Deposit Fund manual cashbook be amended without undue delay.

Central Government Recurrent Account

- 7.21 The Central Government cashbooks covering the period July 1, 2015 to March 31, 2015 indicated that postings to the cashbook were made on a quarterly basis. This is a deviation from Government Accounting Standards. Entries to

the cashbook should be made daily and totaled at the end of each month. Such details are as follows:

CASHBOOK RECURRENT ACCOUNTS		
MONTH	CASHBOOK REFERENCE	BALANCE
July - September, 2015	0367 - 0375	Balance c/f \$36,421.05
October - December, 2015	0376 - 0380	Balance c/f \$46,715.56
January - March, 2015	0382 - 0389	Balance c/f \$29,673.98

- 7.22 We recommend that the Treasury Accounting Procedural Manual which states that: “The Accounts Department should maintain a cashbook in which all the information pertaining to the account is kept” be adhered to.
- 7.23 During our examination of payment vouchers listed in the table below, the following observations were made:
- (a) Some vouchers did not have adequate supporting documents attached (i.e. three quotes and ticket stubs attached and original invoices);
 - (b) The Administrators approval signature was not affixed to some vouchers;
 - (c) The authority for some payments were not provided (i.e. food items provided to a staff member at the Administrator office); and
 - (d) No line item, Block and Payment Voucher numbers were indicated.
- 7.24 In an effort to promote efficiency, accountability and transparency, it is recommended that adequate supporting document be provided to substantiate payments made.

Local Government Recurrent Account

7.25 During our examination of payment vouchers listed in the table below, the following observations were made:

- (a) No invoices and service contracts were attached;
- (b) Cashbook and Payment voucher did not agree; and
- (c) No line item and Block numbers were indicated.

7.26 In an effort to enhance accountability and transparency, to provide an audit trail, we recommend that:

- (a) Service contracts be attached to payment vouchers;
- (b) Cashbook postings be checked against payment vouchers; and
- (c) The line item and Block against which these payments were charged be provided.

Revenue

7.27 We noted that the revenue intake for the year ended June 30, 2016 amounted to \$52,916.67; an increase of \$4,186.92 or approximately 1.10% above the preceding year's figure of \$48,729.75.

7.28 We noted that the revenue air marked for the Consolidated Fund was not remitted on a consistent basis.

7.29 We recommend that the Treasurer review the matter with respect to remittance of funds to ensure that revenue is brought to account on a timely basis.

Cash Log

7.30 We noted that a Cash Log was not maintained for the movement of cash. As a result of a log not being maintained we were unable to verify the following:

- The date cash was paid out.
- The time cash was disbursed and

- The dollar value of cash received by the supplier/payee.

7.31 We recommend that management implement a Cash Log in an effort to establish an audit trail.

Stale Dated Cheques

7.32 During the course of our examination, we noted a number of stale dated cheques valuing \$23,794.90. Such cheques were presented to be cashed through the Deposit Fund Expenditure Account. A summary of the details found is shown in the table.

STALEDATED CHEQUES	
OUTLINE	CHEQUE AMOUNT (\$)
Summary (1)	8,155.95
Summary (2)	12,688.95
Summary (3)	2,950.00
GRAND TOTAL	23,794.90

7.33 We recommend that management take the necessary remedial action. No cheque should be held for more than six months. We further recommend that management and the Public Treasury review its procedures to ensure that cheques are deposited to the bank in a timely fashion. In addition, attempts should be made to have the drawers issue new cheques.

Conclusion

7.34 Overall, we discovered that the accounts of the Mayaguana District were not maintained at a satisfactory standard in some respects; specifically the absences of Head and Items numbers on payment vouchers and cashbooks not being properly maintained. In addition to documents being poorly kept and expenditure reports not sent to the Department of Local Government in a timely fashion. We further noted the controls surrounding the entry to the safe were of high concern as management should ensure that the combination is

changed during the incoming and outgoing exercise of administrators in the district.

7.35 Internal controls need to be strengthened to ensure the efficiency and effectiveness of the financial operation in the District. We could not give assurance to the correctness and completeness of the accounts because in many instances public funds were disbursed without regard to transparency and accountability. The differences in the cash position ought not to be taken lightly.

7.36 **We recommend that:-**

- a) **The accounts be reviewed, reconciled and brought up to date under the guidance of the Treasury Department.**
- b) **The Administrator and staff be attached to the Public Treasury for further training.**

SOUTH ANDROS DISTRICT

Bank Reconciliation Statements – Central Government

7.37 Bank reconciliation statements were not done for the Central Government Account for the period of July, 2015 – October 2016.

7.38 **We recommend that bank reconciliation statements be brought up to date promptly for the Central Government Account and maintained on a regular monthly basis.**

Central Government Recurrent Account

7.39 During our scrutiny of Central Government payment vouchers, it was noted that payment vouchers did not always have supporting documents i.e. bills/receipts, to substantiate payments made.

7.40 **We recommend that due care and attention be exercised during the preparation of payment vouchers to ensure that adequate information and supporting documents are provided to facilitate the audit trail.**

7.41 During our scrutiny it was noted that a number of car rental agreements totaling \$11,956.00, remained outstanding for the period under review; however, the authority to make these payments were not seen. In addition, we

noted no supplementary funding was sent to the District to make these payments.

CAR RENTAL EXPENSE				
DATE	AMOUNT (\$)	MAKE	DATE RETURN	NUMBER OF DAYS RENTED
21.01.16	2,240.00	Honda Odyssey	18.02.16	28 Days
18.02.16	3,360.00	Honda Odyssey	31.03.16	42 Days
31.03.16	1,120.00	Honda Odyssey	14.04.16	14 Days
14.04.16	2,040.00	Nissan	14.05.16	30 Days
14.05.16	3,196.00	Nissan	30.06.16	47 Days
TOTAL	11,956.00			

7.42 We recommend that the authority to secure the services of the rental car be provided. In the absence of an approval, we further recommend that the amount of \$ 11,956.00 be paid by the Administrator.

Local Government Current Account

7.43 During our review of the Local Government Current Account, we noted that payment vouchers were posted on The Bahamas Government Quick Book Financial Management system for the period of July 2016 to October 2016. However, no Bank Reconciliations were done for the above mentioned period.

Explanation:

The Administrative Assistant in the South Andros District Council/Local Government Office explained that Bank Reconciliations were not prepared because of the inability to obtain the opening balance for July 2016 from The Bahamas Government Quick Book Financial Management System.

We recommend that the Bank Reconciliations be brought up to date and maintained on The Bahamas Government Quick Book Financial Management System.

- 7.44 Our scrutiny of payment vouchers revealed that some vouchers did not have sufficient information and adequate supporting documents attached.
- 7.45 We recommend that due care and attention be exercised during the preparation of payment vouchers to ensure that adequate information and supporting documents are provided to facilitate the audit trail.
- 7.46 During our review of payment vouchers, we noted that estimates/quotes were attached to substantiate payments.
- 7.47 We recommend that the practice of attaching estimates/quotes to payment vouchers be discontinued and only original bills/receipts be provided to support payment.
- 7.48 We noted payments made with respect to the upkeep of public roads in the following areas of Long Bay Cays Town and Smith's Hill that the payment vouchers were not signed by the Chief Councilor.
- 7.49 To ensure that all payments are properly authorized, it is recommended that all Sundry Listings attached to payment vouchers bear the signature of the Chief Councilor.
- 7.50 We requested but were not provided with the minutes for the District Council for the period under review. We were informed that the minutes were prepared but needed to be corrected. However the minutes were not made available at the end of the audit field work.
- 7.51 We recommend that the minutes of the District Council be brought up to date promptly and maintained on a regular basis to facilitate the audit trail.

Outstanding Rental Contracts

- 7.52 During our examination, we noted the following outstanding car rental contracts on behalf of the Administrator. The authority for these rentals was not seen.

CAR RENTAL EXPENSE				
DATE	AMOUNT (\$)	CONTRACT NO.	DATE RETURN	NUMBER OF DAYS RENTED
21.07.14	585.00	002636	01.08.14	12 Days
20.07.16	1,950.00	003858	31.08.16	36 Days
01.09.16	1,300.00	003869	30.09.16	30 Days
01.10.16	1,300.00	003991	31.10.16	30 Days
01.11.16	1,300.00	003992	30.11.16	30 Days
02.12.16	1,300.00	004037	31.12.16	30 Days
TOTAL	7,735.00			

7.53 We recommend that the authority to secure the services of the rental car be provided. In the absence of the authority, we further recommend that the amount of \$7,735.00 be paid by the Administrator.

EXUMA DISTRICTS

Exuma Local Government Recurrent Account

7.54 We noted payment voucher numbers 16 and 17 both dated 6th October, 2015 in the amount of \$200.00 and \$150.00 respectively was for meetings held for the District Council office during the month of April 2015. However, we noted no breakdown attached to the payment vouchers to indicate the pay rates and hours worked. Also, the authorization for these payments was not seen.

7.55 According to the Manual of Local Government Procedures Section 12.2, unless otherwise approved by the Minister of Local Government, Councils and Town Committees are to follow the relevant pay scales and benefits established for Central Government employees when determining levels of compensation for the District or Town Ares employees. We therefore recommend that the authority for the above payment be presented for audit review. Also that the contents of the Manual of Local Government Procedures be adhered to.

- 7.56 Our examination of payment voucher number 2 dated 3rd December, 2015 in the amount of \$1,638.30 was payment with respect to appliance/supplies for the Administrator's residence. We noted that the voucher indicated that the expense was made against the Local Government resources and not Central Government. Additionally, a review of the budget allocation showed that no funds were appropriate during the fiscal period 2015/2016 for this expense. The authority for the above payment was not found attached to the voucher.
- 7.57 We recommend that an explanation be provided to the reason the above payment was made against the Local Government Agency. We further recommend that the authority to appropriate the expense during the 2015/2016 budget period be provided for audit review.
- 7.58 We noted that payment voucher number 33 dated 2nd February, 2016 in the amount of \$50.00 was payment with respect to fuel for a Local Council Member. We were informed that the member receives a monthly allowance of \$150.00 for fuel and telephone charges. The authorization for this payment was not found attached to the voucher.
- 0.57 According to the Local Government Act 1996, Section 24, "committee members shall receive remuneration and allowances as may be determined by the Minister with the consent of the Minister of Finance." We therefore recommend that the authority for the above payment be presented for audit review. Also, that the Act be adhered to.
- 7.60 It was noted that payment voucher number 9 dated 2nd May, 2016 was payment for photography services. The authorization for this payment was not found attached to the voucher.
- 7.61 We recommend that the authority for photography services be produced for audit review.
- 7.62 During our scrutiny of payment vouchers, we noted that copies of minutes were not attached to vouchers. As a result we could not gain assurance that prior approval was given before some payments was made.
- 7.63 We recommend that copies of minutes be attached to payment vouchers, in an effort to provide a clear audit trail.

Summary

7.64 Concerns indicated in this report are as follows:

1. Payments (e.g. honorarium subsistence, car rental, reimbursements, etc.) were made without the relevant authorization/justification provided.
2. Payment made against the incorrect Account (e.g. expenses relating to the Administrator residency should be made from Central Government Account and not Local Government Account).
3. There was insufficient information attached to payment vouchers in some payments made.

Opinion

7.65 In our opinion, public funds were disbursed, in some instances, without regard for accountability. The Local Government Recurrent Accounts for Exuma and the Black Point highlighted the need to strengthen the internal controls for the efficiency of the operation.

MASON BAY, ACKLINS

Administrator's Office

7.66 We conducted a cash count at the Administrator's Office in Mason Bay, Acklins on October 27, 2015; due to the passage of Hurricane Joaquin which occurred on October 6, 2015. We observed damaged cash earmarked to the Deposit Fund Expenditure Account stored in a black plastic bag, however, because of the inundated condition, a physical examination of the cash was not done. In addition, some financial records could not be located. Consequently, we were informed that the missing documents were destroyed by sea water and discarded.

7.67 The objectives of the inspection were to determine:

- (a) The amount of cash on hand.
- (b) The amount of cash affected by sea water.
- (c) The extent of damage to financial records.
- (d) The balance of cash on hand.

Cash Inspection

7.68 At the time of our inspection we noted the following:

FUND DESCRIPTION	\$	\$
Deposit Fund Expenditure (Funds Damaged)	601,897.05	
(Based on Administrator's Records)		
Deposit Fund Expenditure (Funds Counted)	28,699.86	
Total Deposit Fund Expenditure		630,596.91
Central Government Expenditure (Funds Counted)	2,959.65	
Central Government Expenditure (Funds Counted) (NIB Contributions)	437.34	
Total Central Government Expenditure		3,396.99
Local Government Expenditure (Funds Counted)		1,484.28
Un-identified Funds (Funds Counted)		80.09
TOTAL CASH ON HAND		635,558.27

Financial Records Not Damaged

7.69 Our review of the Cash Books revealed that the listed financial documents were not destroyed by sea water. Details are as follow:

	<u>Name of Cash Book</u>	<u>Period</u>
(i)	Acklins District Council	February 2014 – March 2015
(ii)	Acklins District Council	March 2015 – September 2015
(iii)	Central Government	September 2013 – June 2014
(iv)	Central Government	October 2011 – February 2015

Financial Records Not Reviewed

7.70 During our examination of the cash books to confirm the balances at the end of September 2015, we noted that the current cash books for the Central Government Account, Consolidated Fund Account and Deposit Fund Account could not be located.

7.71 We were unable to perform an audit on the cash position as a result of the condition and availability of relevant information.

Management Response

After the hurricane the Administrator indicated that he may have discarded some of the cash books due to their conditions.

Recurrent Expenditure Acklins

7.72 At the time of our cash count we were advised that the Administrator had recently received a total cash remittance of \$386,239.57 for July – September, 2015 on September 21, 2015. Such details are as follows:

RECURRENT EXPENDITURE	AMOUNT (\$)
Central Government Allocation	110,919.11
Local Government Allocation	54,500.00
TOTAL	165,419.11
National Insurance Pension Fund (July – Sept. 2015)	60,830.46
DEPOSIT FUND EXPENDITURE	160,000.00
TOTAL CASH REMITTANCE	386,239.57

7.73 It was further noted that the Administrator made no payments from the cash remittance for July – September, 2015. Based on the information that was made available, the estimated excess cash balance was \$249,318.70.

MOSS TOWN, CROOKED ISLAND

Administrator's Safe (Passage of Hurricane Joaquin)

7.74 We visited the Administrators Office in Moss Town, Crooked Island on November 6, 2015 along with persons from Department of Local Government and a Locksmith to witness the unlocking of the safe and to access its contents due to the passage of Hurricane Joaquin which occurred on October 6, 2015. Because of time constraints and there being no electricity coupled with unsanitary conditions, the cash was not counted. However, the financial

positions of the accounts were determined from the Administrators' cash books that included the Central Government Recurrent Account, The Local Government Current Account, The Deposit Fund Expenditure Account and the Consolidated Fund Accounts.

7.75 The objectives of the inspection were to determine:

- (a) The amount of cash on hand.
- (b) The amount of cash affected by sea water.
- (c) The extent of damage to financial records.

Cash Inspection

7.76 At the time of our inspection we noted the various Cash Book Account balance as follows:

CASH BOOK ACCOUNT BALANCE	AMOUNT (\$)
Central Government Recurrent Account (June, 2015)	47,704.11
Local Government Current Account (June, 2015)	-
Deposit Fund Expenditure Account (September, 2015)	639,489.49
Consolidated Fund Account (Remittance August, 2015)	1,920.00
GRAND TOTAL	689,113.60

As a result of our post audit inspection of the Family Island Administrator Offices in Mason Bay, Acklins and Moss Town, Crooked Island that were affected by Hurricane Joaquin, the following pertinent controls are recommended:

- ✓ Financial Disaster Prevention and Mitigating Plan be in place to adequately protect funds, books and records from destruction.
- ✓ For "Cash Districts" policy and procedures to reduce the amount of "Cash on Hand" and remit the excess funds to the Public Treasury, as additional safety and security measures; during National Disaster Preparedness warning be followed.
- ✓ The "Safe/Vault" storing funds, books and records be adequate and secured in a suitable location.

SECTION EIGHT



LOAN PROGRAM

The Basic Financial Statements for New Providence Transport Program LO-2773/OC-BH

8.01 In our opinion, the financial statements referred to above present fairly, in all material respects, the cash flow and the cumulative investments for The New Providence Transport Program (NPTP) Supplementary Financing II, as of and for the year ended June 30, 2016, in accordance with the Cash Basis and the terms of the IDB Loan Contract No.2773/OC-BH..

Compliance with Financial and Accounting Contractual Clauses New Providence Transport Program (NPTP) LO-2773/OC-BH

8.02 We have audited the Statement of Cash Flow as of June 30, 2016 and the Statement of Cumulative Investments for the year ended June 30, 2016, for the New Providence Transport Program (NPTP), Supplementary Financing II, entered into by the Government of the Commonwealth of The Bahamas and the Inter-American Development Bank, executed by the Ministry of Works and Urban Development and have issued our report thereon dated October 27, 2016.

8.03 In relation to our audit, we determined compliance with the financial and accounting contractual clauses and articles within the Special Conditions and General Conditions of Loan Contract No. 2773/OC-BH and compliance with the applicable provisions of the program's Operating Regulations as of June 30, 2016. We have examined the Special Conditions described in Article 7.04 (a) and (b), the Special Conditions described in Article 8.04 (c), the General Condition at Article 3.07, the General Condition described in Article 4.07 (a) and (b), the General Condition at Article 4.08 (a), the General Condition at Article 7.01 (a) and the General Condition at Article 8.01 (i) and (ii).

8.04 We further determined compliance with the Contractual Clauses and Articles within the New Providence Transport Program (NPTP) Supplementary Financing II Annex. A site inspection was performed to ensure that works were carried out in accordance to the programs schedule.

8.05 We conducted our audit in accordance with Standards issued by the International Organization of Supreme Audit Institutions (INTOSAI), and the requirements of the Inter-American Development Bank. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Borrower and Executing Agency have complied with the pertinent loan contractual clauses, applicable laws and

regulations. The audit also includes examining, on a test basis, the appropriate evidence. We believe that our audit provides a reasonable basis for our opinion.

8.06 In our opinion, for the year ended June 30, 2016, the Borrower and Executing Agency complied, in all material respects, with the following financial and accounting contractual clauses of the Loan Contract for the New Providence Road Transport Program No.2773/OC-BH:

Special Conditions

Article 7.04 (a) & (b) **Additional Resources:** The Borrower shall contribute in a timely manner all the resources in addition to those of the Loan which may be necessary for the complete and execution of the project. (b) – Beginning with the calendar year following the initiation of the project and during the period of its execution, the Borrower shall demonstrate to the Bank within the first sixty (60) days of each calendar that it will have available when needed the resources necessary to make the local contribution to the Project during that year.

Article 8.04 © **External Audit:** The Borrower shall select and hire directly or through the Executing Agency, as the case may be, the independent auditing services that are necessary for the timely submission of the financial statements and other reports, no later than four (4) months before the closing of each fiscal year of the Borrower, beginning on the date on which this Contract enters into effect.

General Conditions

Article 3.07. **Interest:** Payments of Interest and Principle shall be made in Dollars. In addition, Credit and inspection and supervision fees shall always be paid in the approval currency.

Article 4.07 (a) & (b). **Advance of Funds:** The Bank may disburse resources as an Advance of Funds to the Borrower or the Executing Agency, as the case may be to cover eligible expenditures with resources of the Loan. (b) The maximum amount of each Advance of Funds shall be set by the bank on the basis of the liquidity needs of the Project to cover periodic projected expenditures. At no time may the maximum amount of advance of Funds exceed the amount required to finance expenditures, during a period of up to six (6) months, in accordance with the investment schedule and the cash flow required to meet such purpose and the capacity demonstrated by the Borrower or the Executing Agency.

Article 4.8 (a) **Closing Period:** The Borrower or the Executing Agency, shall (a) present to the Bank's satisfaction, within the Closing Period, the supporting documentation relating to expenditures made for the execution of the Project, and any other information that the Bank may have requested.

Article 7.01 (a) **General Provisions for Execution of the Project::** The Borrower agrees that the Project shall be executed with due diligence I conformity with sound financial

and technical practices, and in accordance with plans, specifications, investment schedule budgets, regulations and other documents approved by the Bank.

Article 8.01 (a) (i) and (ii) **Financial Information and Internal Control Systems**: The Borrower or the Executing Agency, or the Contracting Agency, shall maintain: (i) a financial information system acceptable to the Bank that enables accounting, budgetary and financial recordkeeping, as well as the issuance of Financial Statements and other reports related to the resources of the Loan and other financial sources as the case may be; and (ii) an internal control structure that enables effective Project management; provides reliability regarding the financial information.

SECTION NINE



DEPARTMENT OF INLAND REVENUE

DEPARTMENT OF INLAND REVENUE (CENTRAL REVENUE ADMINISTRATION)

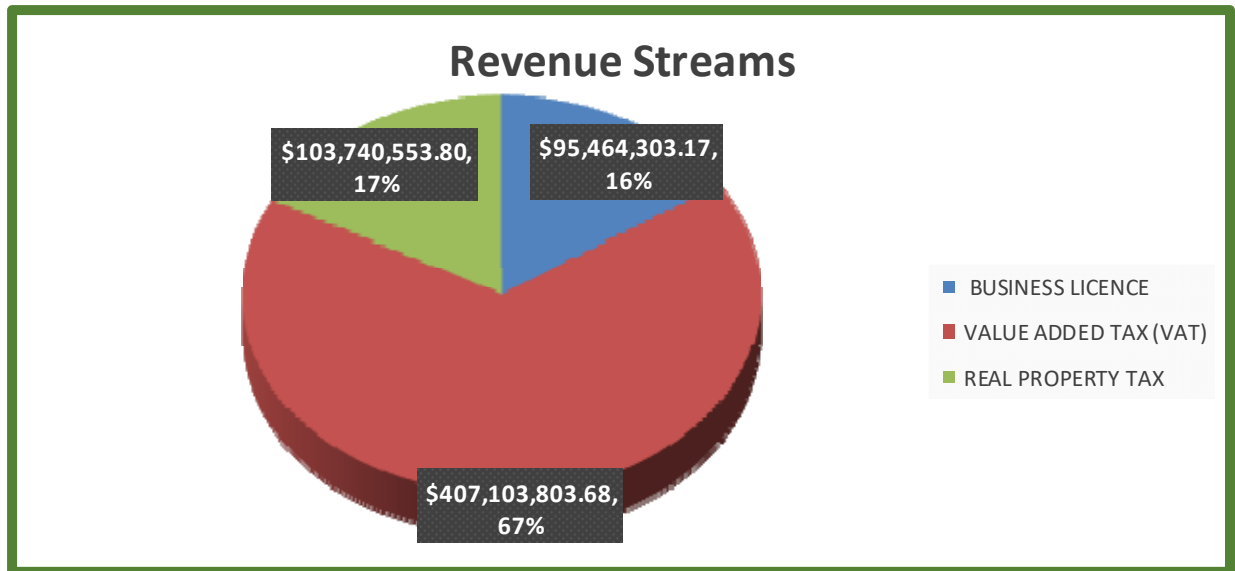
9.01 The Office of The Auditor General (“OAG”) reviewed the revenue component for the 2015/2016 fiscal period in The Department of Inland Revenue (“DIR”), also known as Central Revenue Administration (“CRA”). The DIR is responsible for collecting Real Property Tax, Business Licence and Value Added Tax (“VAT”) revenue. The DIR is also responsible for processing First Homeowners Exemption transactions; however, the Treasury Department accounts for the stamp tax revenue collection and reporting.

DIR OVERALL REVENUE PERFORMANCE CONTRIBUTION TO 2015/2016 RECURRENT REVENUE COLLECTIONS

9.02 The DIR collected \$606,308,660.65 total revenue for 2015/2016 fiscal year as shown in the table below. This revenue performance accounted for 30% of the Government total recurrent revenue of \$1,989,232,268.

DIR OVERALL REVENUE PERFORMANCE 2015/2016		
REVENUE STREAMS	REVENUE COLLECTED (\$)	REVENUE PERFORMANCE %
BUSINESS LICENCE	95,464,303.17	16%
VALUE ADDED TAX (VAT)	407,103,803.68	67%
REAL PROPERTY TAX	103,740,553.80	17%
TOTAL REVENUE	606,308,660.65	100%

Notably, from the overall revenue performance for 2015/2016, the Value Added Tax accounted for 67% of the DIR combined total revenue of \$606,308,660.65, with the Real Property Tax and Business Licence contributing to 17% and 16% respectively, as depicted in the Revenue Streams Chart.



VALUE ADDED TAX (VAT) REVENUE PERFORMANCE – CUSTOMS & DIR

9.03 From the overall Value Added Tax revenue collection of \$628,532,481 for 2015/2016, the Department of Inland Revenue accounted for 65% or \$407,103,803.68 of that total. The Department collected \$63,128,303.68 more than the projected or forecasted figure, a significant budget over performance.

VAT REVENUE STREAMS	VAT COLLECTED (\$)	TAXABLE SUPPLIES VALUE (\$)
GOODS & SERVICES (DIR)	336,626,965.24	4,488,359,536.53
CONVEYANCES (DIR)	70,476,838.44	939,691,179.20
DIR TOTAL VAT REVENUE	407,103,803.68	5,428,050,715.73
IMPORTATION VAT (CUSTOMS)	220,060,504.00	2,934,140,053.33
OTHER MINISTRIES/DEPARTMENTS	1,368,173.32	18,242,310.93
OVERALL TOTAL VAT REVENUE	628,532,481.00	8,380,433,080.00
TOTAL RECURRENT REVENUE	1,989,232,268.00	N/A
VAT AS % OF RECURRENT REVENUE	32%	N/A

In the domestic economy, consumption of goods and services with a standard taxable supplies value of \$4,506,601,847.467 contributed to \$337,995,138.56 VAT revenue. Whereas, \$70,476,838.44 VAT revenue was generated from real

property conveyances transactions valuing \$939,691,179.20. VAT levied on imported goods with a "Landed Cost" of \$2,934,140,053.33 accounted for \$220,060,504 revenue. Overall, the \$8,380,433,080 taxable supplies transactions generated \$628,532,481 VAT revenue and this contributed to 32% of the Government recurrent revenue collection of \$1,989,232,268 in 2015/2016.

OUTPUT TAX (Supply or Sale of Goods and Services) REVENUE COMPOSITION

9.04 The combined "Output Tax" (Supply or Sale of Goods and Services) of standard rate taxable supplies, zero-rated supplies and exempt supplies accounted for \$10,923,735,985.39 economic activities in the VAT Taxation System. The analysis of the "Output Tax" activities, for 2015/2016, from the Revenue Management System (RMS) data source is as follows:

- ✓ Zero-Rated Supplies (Supply or Sale of Goods and Services at 0% Tax) - 37%
- ✓ Exempt Supplies (Supply or Sale of Goods and Services – Tax Free) - 13%
- ✓ Net Output Tax (Supply or Sale of Goods and Services -7.5% tax) - 50%
- ✓ Significantly, the Zero-Rate Supplies and Exempt Supplies make up 50% of the combined Output Tax activities and the 50% remains to generate 7.5% standard rate VAT Revenue.

Figures representative of the transactions are shown in the analysis schedule.

OUTPUT TAX (Supply or Sale of Goods and Services)	OUTPUT TAX VALUE (Supply or Sale of Goods and Services) (\$)	OUTPUT TAX %
Output Zero-Rated Supplies	4,050,951,382.44	37%
Output Exempt Supplies	1,444,733,887.22	13%
Total Zero-Rated and Exempt Supplies	5,495,685,269.66	50%
DIR Output Tax (Supply or Sale of Goods and Services) - Standard Rate	5,428,050,715.73	N/A
Other Ministries/Departments	18,242,310.93	N/A
Total Standard Rated 7.5% Tax	5,446,293,026.66	50%
Combined Output Tax Activities	10,941,978,296.32	100%

We recommend that, given the above statistics, it is imperative that the enforcement mandate continue to be advocated to collect all the VAT revenue due to the government, as only 50% of the economic activities in the domestic economy attract VAT at 7.5% tax.

OUTSTANDING VAT REVENUE

9.05 Review of the Non-Payers Report disclosed that \$1,872,400.83 is outstanding in VAT revenues from 2015 to 2016 Fiscal Periods as follows:

✓ Assessments	- \$47,425.41
✓ Audit Assessments	- \$1,661,987.59
✓ Returns	- \$162,986.83

The DIR Debt Management Unit, Revenue Enhancement Unit and Compliance and Enforcement Unit are engaged in revenue recovery and enforcement.

The OAG advocate and further recommend continuous revenue recovery through compliance and enforcement processes.

VAT REFUND PAYMENT

9.06 The VAT refund cases processed in 2016 resulted in \$9,538,133.73 payments to the taxpayers whose cases were completed and closed. Inclusive in this amount is \$12,588.30 interest payment for cases that were not processed in a timely fashion.

Continuous efforts should be made to process cases in a timely fashion to avoid the interest cost that reduces the VAT revenue.

REAL PROPERTY TAX REVENUE PERFORMANCE

9.07 Revenue collected for Real Property Tax in 2015/2016 amounted to \$103,740,553. In comparison to 2014/2015 total of \$107,003,821, the revenue dropped by \$3,263,267 or 3%. The revenue collected did not meet the budget expectation of \$151,217,375; it fell short by \$47,476,821 or 46%. The decline in revenue collection for Commercial Property Tax and Foreign Owned Undeveloped Property Tax, in part, contributed to the revenue short fall.

REAL PROPERTY TAX REVENUE COMPARATIVE ANALYSIS 2015/2016				
REVENUE CLASSIFICATION HEAD/ITEM	PROVISIONAL ACTUAL REVENUE 2014/2015 (\$)	PROVISIONAL ACTUAL REVENUE 2015/2016 (\$)	APPROVED FORECAST REVENUE 2015/2016 (\$)	FORECAST REVENUE VARIANCE ANALYSIS 2015/2016 (\$)
9031100 Commercial Property Tax	51,994,967	49,559,952	66,570,079	(17,010,127)
9032100 Owner Occupied Property Tax	28,588,266	30,767,611	42,016,504	(11,248,893)
9033100 Foreign Owned Undeveloped	26,420,588	23,412,991	42,630,792	(19,217,801)
9034100 Residential Properties	-	-	-	-
TOTAL	107,003,821	103,740,554	151,217,375	(47,476,821)

REAL PROPERTY TAX OUTSTANDING COLLECTION

9.08 The \$36,762,483.76 outstanding current Real Property Tax for 2015/2016 is a notable reduction, when compared to the \$110,718,379 reported in 2015. However, the cumulative outstanding amount of \$479,609,034.86 is still high, as shown in the table. The OAG noted that the three (3) Private Debt Collection Agencies, DIR Debt Management Unit, Revenue Enhancement Unit and DIR Revenue Compliance and Enforcement Unit are all engaged in collecting the outstanding Real Property Tax revenue.

REAL PROPERTY TAX OUTSTANDING REVENUE 2016			
FISCAL YEAR	CURRENT RPT (\$)	PRIOR YEARS RPT (\$)	CUMULATIVE RPT (\$)
2016	36,762,483.76	442,846,551.10	479,609,034.86
2015	110,718,379.00	527,409,458.00	638,127,837.00
(DECREASE)/INCREASE	(73,955,895.24)	(84,562,906.90)	(158,518,802.14)

- 9.09 We recommend that efforts continue to be made to collect the outstanding real property tax, particularly the prior year(s) arrears to reduce the cumulative amount and enhance revenue.

BUSINESS LICENCE REVENUE PERFORMANCE

- 9.10 Revenue collected for Business Licence in 2015/2016 amounted to \$95,464,303.17; which in comparison to \$125,845,776 for 2014/2015 is down by \$30,381,472.83 or 24%. Conversely, \$140,000,000 forecasted revenue for 2015/2016 fell short by \$44,535,696.83, resulting in an unfavorable revenue variance of 32%, as shown below (Business Licence Revenue Comparative Analysis). The aftermath of Hurricane Joaquin and the permanent closure of some business in 2016, in part, contributed to the revenue shortfall.

BUSINESS LICENCE REVENUE COMPARATIVE ANALYSIS 2015/2016	
TOTAL ACTUAL REVENUE FROM GL SYSTEM 2014/2015	\$ 125,845,776.00
TOTAL ACTUAL REVENUE FROM GL SYSTEM 2015/2016	\$ 95,464,303.17
TOTAL DIR 2015/2016 APPROVED FORECAST REVENUE	\$ 140,000,000.00
REVENUE BUDGET PERFORMANCE SHORTFALL	\$ (44,535,696.83)
REVENUE SHORTFALL %	32%

- 9.11 Given that Business Licence revenue is down, consideration should be given to stimulating business growth, through incentives programs, to enhance revenue. Accordingly, we recommend that practicable actions be taken to boost this initiative and grow the economy; to generate revenue for economic sustainability.

ORGANIZATIONAL STRUCTURE

- 9.12 We requested a copy of the DIR’s Organizational Chart but at the time of the Audit, it was unavailable because management was engaged in completing the structure for approval.
- 9.13 We recommend that the OAG be provided with the Organizational Chart as soon as it is completed and approved.

Department of Inland Revenue (DIR) Management Response

The DIR wishes to thank the Auditor General and staff assigned to the Auditing of DIR 2016 Final Accounts. We note the recommendations thereto affixed. We also wish to advise that most, if not all, of the calls for action are presently ongoing and a monitoring and follow-up mechanism is being addressed.

SECTION TEN



PENSION

PENSIONS

Pensions to Officials

10.01 The expenditure in 2015/2016 for benefits payments to Official Pensioners totaled \$83,322,187. In comparison to the \$77,334,233 expended in 2014/2015, this is an increase of \$5,987,954.00 or 8% as shown in the analysis below:

EXPENDITURE/ HEAD ITEM CLASSIFICATION	ACTUAL EXPENDITURE FROM THE G/L SYSTEM 2014/2015 (\$)	ACTUAL EXPENDITURE FROM THE G/L SYSTEM 2015/2016 (\$)	APPROVED ESTIMATES 2015/2016 (\$)	UNDER /(OVER) THE ESTIMATE (\$)
05-0921200 Pensions To Officials	77,334,233	83,322,187	75,129,600	(8,192,587)
22 -921300 Parliamentary Pensions	1,489,445	1,863,010	1,500,000	(363,010)
22 - 912300 War Veterans & Widows Pensions	7,596	9,508	25,000	15,492
22 - 921600 Pensions - Ex-Service Men (Br. Legion Fund)	14,570	14,570	14,570	-
22 - 921700 Widows & Orphans Pensions	95,350	82,090	135,400	53,310
TOTAL	78,941,194	85,291,365	76,804,570	(8,486,795)

In comparison to the approved estimated figure of \$76,804,570, the expenditure went over budget by \$8,486,795 or 11% in 2015/2016. It should be noted that the increase occurred because more pensioners are joining the Official Pensioners Payroll Register than those that are expiring, and leaving. Accordingly, the pension base is expanding.

Parliamentary Pensions

10.02 An amount of \$1,863,010 was disbursed for 2015/2016 fiscal year. We were able to verify the amount to the Parliamentary Pensions Payroll Register. The Parliamentary Pensions in 2015/2016 increased by \$373,565 or 25% when compared to 2014/2015 figure of \$1,489,445. During the period, one Parliamentary Pensioner was added to the pay sheet and one was deleted.

Presently there are seventy-six (76) Parliamentarian and Widows on the Parliamentary Pension payroll.

War Veterans and Widow Pensions

10.03 While examining pensions for the fiscal year ended 30th June 2016, the amount disbursed was \$9,508. This amount was verified to the Government of the Bahamas Pension Register and the United States (U.S) Draft Register.

Widows and Orphans Pensions

10.04 Pensions for the year ended 30th June, 2016 was confirmed and verified to the Official Pension Register and the Widows and Orphans Pension Register. The amount disbursed for the period was \$82,090. In comparison to the 2014/2015 pensions expenditure of \$95,350, the 2015/2016 amount decreased by \$13,260 or 14%. During the period, two (2) persons were deleted from the pay sheet (by reason of death). Presently, there are twenty (20) Widows and Orphans Pensioners on the Pay Sheet.

Public Officials/Staff Gratuities

10.05 The Public Officials/Staff Gratuities compensation disbursements for 2015/2016 totaled \$28,954,202. In comparison to \$24,751,791 in 2014/2015, this is an increase of \$4,202,411 or up by 17%. Also, \$5,684,888 was expended over the \$23,300,000 approved budget as shown below.

PENSIONS & GRATUITIES EXPENDITURE COMPARATIVE ANALYSIS 2015/2016				
EXPENDITURE/ HEAD ITEM CLASSIFICATION	2014/2015 ACTUAL EXPENDITURE (\$)	2015/2016 ACTUAL EXPENDITURE (\$)	2015/2016 APPROVED ESTIMATE (\$)	UNDER /(OVER) THE ESTIMATE (\$)
05 - 922200 Public Officials/Staff Gratuities	24,751,791	28,954,202	23,000,000	(5,954,202)
22-Parliamentary Officials Gratuities	12,120	30,686	300,000	269,314
Total Gratuities	24,763,911	28,984,888	23,300,000	(5,684,888)
Total Pensions	78,941,194	85,291,365	76,804,570	(8,486,795)
Total Pensions & Gratuities	103,705,105	114,276,253	100,104,570	(14,171,683)

10.06 We noted that the pensions and gratuities expenditure amounted to \$114,276,253, an increase of \$10,571,148 over the prior year. The disbursements are fully borne by the Government, as the Public Service Pension Plan by the Statute of Laws of The Bahamas is non-contributory; the accumulation of awarded pensions and gratuities is unfunded.

SECTION ELEVEN



BAHAMAS CUSTOMS DEPARTMENT

BAHAMAS CUSTOMS DEPARTMENT

11.01 Under the provision of the Customs Management Act 2011, the Customs Department, a branch of the Ministry of Finance, is responsible for the collection and protection of revenue obtained from General Import Duty and Excise Taxes. The department is also responsible for collecting Air and Sea Departure Tax, Importation Value Added Tax (VAT) and other miscellaneous fees.

11.02 According to the figures provided by the Customs Department, the total revenue collected during the fiscal year July 1, 2015 to June 30, 2016 amounted to \$913,648,809 compared with \$887,813,531 collected during the fiscal period July 1, 2014 to June 30, 2015, an increase of \$25,835,278 or up by 3%. Importantly, the \$913,648,809 revenue collected by Customs Department accounted for 46% of the government total recurrent revenue of \$1,989,232,268.

11.03 An analysis of Actual Revenue according to individual revenue items is set out below:

COMPARATIVE REVENUE ANALYSIS - ACTUAL REVENUE VS ESTIMATED REVENUE 2016				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE FROM THE G/L SYSTEM 2014/2015 \$	ACTUAL REVENUE FROM THE G/L SYSTEM 2015/2016 \$	APPROVED ESTIMATED REVENUE 2015/2016 \$	ACTUAL REVENUE ESTIMATED REVENUE VARIANCE 2015/2016 \$
General Import Duties 901/1100	306,676,473	263,125,973	335,000,000	(71,874,027)
Export Duties 901/2100	8,796,068	12,088,524	12,700,274	(611,750)
Excise Taxes 902/1100	262,112,429	229,867,445	299,320,000	(69,452,555)
Fuel Surcharge - Gasoline 902/2100	-	841,323	-	841,323

COMPARATIVE REVENUE ANALYSIS - ACTUAL REVENUE VS ESTIMATED REVENUE 2016				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE FROM THE G/L SYSTEM 2014/2015 \$	ACTUAL REVENUE FROM THE G/L SYSTEM 2015/2016 \$	APPROVED ESTIMATED REVENUE 2015/2016 \$	ACTUAL REVENUE ESTIMATED REVENUE VARIANCE 2015/2016 \$
902/2200 Fuel Surcharge - Diesel	-	365,257	-	365,257
902/2300 Fuel Surcharge – Propane	-	120,283	-	120,283
Air Departure Tax 906/1100	55,424,161	48,119,090	50,000,000	(1,880,910)
Sea Departure Tax 906/1200	90,723,610	85,903,812	90,500,000	(4,596,188)
Passenger Tax/Pleasure Craft 906/1300	578,233	610,181	552,647	57,534
Passenger Ticket Tax 906/2100				-
Stamp Tax Imports 907/1100				-
Stamp Tax Exports 907/1200	20	80	-	80
Stamp Tax on Ship Report 907/1300	-		1,000	(1,000)
Stamp Duty Exports 907/2100				-
Ship Registration 919/1380				-
Customs Fines & Forfeitures 919/1452	469,149	299,614	400,000	(100,386)

COMPARATIVE REVENUE ANALYSIS - ACTUAL REVENUE VS ESTIMATED REVENUE 2016

REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE FROM THE G/L SYSTEM 2014/2015 \$	ACTUAL REVENUE FROM THE G/L SYSTEM 2015/2016 \$	APPROVED ESTIMATED REVENUE 2015/2016 \$	ACTUAL REVENUE ESTIMATED REVENUE VARIANCE 2015/2016 \$
Dishonoured Cheques Surcharge 919/2112				-
Wrecked Goods 919/2210	(200)		-	-
Customs Warehouse Fees 919/2220	14,422	25,903	10,000	15,903
Storage Fees 919/2221	186,976	215,364	175,000	40,364
Customs Inspection Fees 919/2230	4,781		-	-
Customs Inspection Fees Overtime 919/2231				-
Customs Service Charge 919/2232	11,022,544	6,518,753	6,450,000	68,753
Container Movement 919/2240	8,994,783	3,333,397	5,065,964	(1,732,567)
Customs Container Fee - Freeport 919/2241	593,739	238,211	500,000	(261,789)
Other Customs Charges 919/2250	1,100,668	1,263,673	440,659	823,014

COMPARATIVE REVENUE ANALYSIS - ACTUAL REVENUE VS ESTIMATED REVENUE 2016				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE FROM THE G/L SYSTEM 2014/2015 \$	ACTUAL REVENUE FROM THE G/L SYSTEM 2015/2016 \$	APPROVED ESTIMATED REVENUE 2015/2016 \$	ACTUAL REVENUE ESTIMATED REVENUE VARIANCE 2015/2016 \$
Bonding Tax 919/2251	1,194,723	342,584	1,390,496	(1,047,912)
Royalties 919/2252	717,275	782,716	1,110,829	(328,113)
Fishing Permit 919/2253				-
Cruising Permit 919/2254				-
Customs Boarding Fees 919/2255	22,950	29,250	-	29,250
Transportation Fees 919/2260				-
Security Fees on Vehicles 919/2263	-	158,445	-	158,445
Security Fees on Containers 20 or less 919/2267	-	194,004	-	194,004
Security Fees on Containers over 20 919/2268	-	1,016,116	-	1,016,116
Boarding Fees 919/2270	1,042,325	952,363	920,000	32,363
Boarding Fees 919/2271	2,875,567	3,035,731	2,700,000	335,731

COMPARATIVE REVENUE ANALYSIS - ACTUAL REVENUE VS ESTIMATED REVENUE 2016				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE FROM THE G/L SYSTEM 2014/2015 \$	ACTUAL REVENUE FROM THE G/L SYSTEM 2015/2016 \$	APPROVED ESTIMATED REVENUE 2015/2016 \$	ACTUAL REVENUE ESTIMATED REVENUE VARIANCE 2015/2016 \$
Customs Processing Fees 919/2280	23,342,916	24,932,269	21,000,000	3,932,269
Environmental Levy 919/2290	8,917,914	9,082,557	9,202,451	(119,894)
Wharf & Port Dues 919/2520	3,968	36,155	-	36,155
Rental of Various Properties 920/1420	88,558	89,232	85,000	4,232
CUSTOMS REVENUE SUB- TOTAL	784,904,052	693,588,305	837,524,320	(143,936,015)
Value Added Tax (VAT) 911/9100	102,909,479	220,060,504	200,000,000	20,060,504
GRAND TOTAL	887,813,531	913,648,809	1,037,524,320	(123,875,511)

11.04 The actual \$913,648,809 revenue collected in comparison to approved forecasted revenue \$1,037,524,320 for the fiscal year 2015/2016 resulted in a revenue shortfall of \$123,875,511 or 12%. Several factors contributed to the department not realizing the projected revenue, such as:

- ✓ Continuous reduction in various tariffs and excise taxes to coincide with Value Added Tax (VAT);

- ✓ Various exemptions for Hurricane Joaquin approved by the Minister exigency relief declaration and the concessions granted, in accordance with legislation.

2015/2016 REVENUE SHORTFALL \$123,875,511	
Total Actual Revenue from GL System 2015/2016	\$913,648,809
Total Approved Forecasted Revenue 2015/2016 Customs Department	\$1,037,524,320
Difference between Actual Revenue of GL System (Actual Revenue Customs Department) and Approved Forecasted Revenue	(\$123,875,511)
Revenue Shortfall	-12%

CONCESSIONS

11.05 Conditionally Duty Free goods with a *“Landed Cost”* of \$6,093,037,156.35 would have generated \$1,332,900,548.36 duty and excise tax revenue; had it not been for the various concessions granted. Of this amount, \$4,138,633.65 was charged as revenue collection and the remaining balance of \$1,328,761,914.71 recognized as *“Revenue Foregone”*.

The concessions are classified by *“Trade Sectors”* and administered by designated Government Ministries, Departments and Agencies guided by specific legislation for approval. Concessions are structured to boost trade, industries and economic development for growth, sustainability and transformation. Some of the concessions legislations directing the administrators of the activity are:

- ✓ Water & Sewerage Act;
- ✓ AUTEK Agreement;
- ✓ Industries Encouragement Act;

- ✓ Hotel Encouragement Act;
- ✓ Electricity Act;
- ✓ General Exemption for Petroleum Products Bahamas Electricity Corporation and any Licensed Entity;
- ✓ General Exemption for Taxi-cabs and Omnibuses;
- ✓ Family Island Development Encouragement Act;
- ✓ The Bridge Authority Act;
- ✓ Exemption of Duty for Goods for use by Consular, Diplomatic, and International Organizations;
- ✓ Capital Goods for Businesses Located Outside the Port Area in Grand Bahama;
- ✓ General Exemption for Relief Goods Intended to Provide Relief in Response to a Declaration of Exigency by the Minister that Meet Specified Conditions;
- ✓ General Exemption for Goods for Registered Fishermen for Use in the Commercial Fishing and Bone Fishing Industries that Meet Specified Conditions; and
- ✓ General Exemption for Production Materials for Cottage and Light Industries or Raw Materials for Handcraft Items.

The analysis of the concessions in the table highlights the predominant *“Trade Sectors”* capturing the highest value of the *“Landed Cost”* such as:

1. General Exemption for Petroleum Products Bahamas Electricity Corporation and any Licensed Entity - \$2.68 billion;
2. The Hotel Encouragement Act - over \$2.5 billion;
3. Family Island Development Encouragement Act - \$360 million; and
4. Other Trade Sectors - \$287.96 million (a combination of various concessions - Agriculture Manufacturers Act, Nassau Airport Development Project, Ministerial Relief Exigency Declaration,

Government Housing Project, Religious Organizations, Charitable Goods Exemption etc.)

11.06 The VAT on the concessions totaled \$456,551,188.27. From this amount, \$130,433,096.39 revenue was collected and \$326,118,091.88 deferred. Deferred VAT is approved by the Ministry of Finance and reported on the taxpayer's filing return in the period incurred.

BAHAMAS CUSTOMS DEPARTMENT CONCESSIONS REPORT 2016

TRADE SECTOR	LANDED COST \$	DUTY LIABLE \$	EXCISE LIABLE \$	EXCISE & DUTY COLLECTED \$	VAT LIABLE \$	VAT DEFERRED \$	VAT CHARGED (COLLECTED) \$
General Exemption for Petroleum Products and any Licensed Entity	2,685,843,811.57	4,495,425.00	1,186,523,722.39	-	201,438,286.26	200,625,016.61	813,269.65
Hotel Encouragement Act	2,519,354,822.16	67,952,852.37	2,344,923.69	-	188,948,282.17	115,246,474.83	73,701,807.34
Family Island Development Encouragement Act	360,090,479.94	8,447,919.77	95,926.37	-	27,006,789.92	150,570.34	26,856,219.58
Other Trade Sectors	287,961,482.81	16,462,599.39	7,199,508.07	1,002,877.68	21,174,358.13	9,936,369.58	11,237,988.55
Industries Encouragement Act	64,741,244.73	8,530,654.73	283,932.78	-	4,855,593.16	94,962.55	4,760,630.61
General Exemption for Production Materials for Cottage and Light Industries or Raw Material for Handcraft Items	52,205,287.62	7,112,656.51	-	157,564.64	3,915,397.23	36.00	3,915,361.23
Water & Sewerage Act	49,690,831.08	4,057,083.62	2,273,915.46	-	3,726,812.48	3,412.91	3,723,399.57
Electricity Act Generators and Engines (N.P.)	48,004,668.70	12,699,048.47	805,502.25	2,978,191.33	3,600,350.52	2,917.52	3,597,433.00
General Exemption for Educational, Scientific and Cultural Goods. Specialized Equipment, Medical Supplies	15,270,977.86	691,991.16	89,349.82	-	1,144,816.76	16,783.08	1,128,033.68
General Exemption for Vessels and Vessels Parts	5,095,790.16	726,771.67	22,209.74	-	382,184.67	22,158.75	360,025.92
General Exemption for Taxi-cabs and Omnibuses	4,777,759.72	-	2,084,555.10	-	358,316.97	19,389.71	338,927.26
GRAND TOTAL	6,093,037,156.35	131,177,002.69	1,201,723,545.67	4,138,633.65	456,551,188.27	326,118,091.88	130,433,096.39

IMPORTATION VAT REVENUE ANALYSIS

11.07 Goods imported with a "*Landed Cost*" of \$5,764,659,788.40 generated \$432,349,484.13 VAT. Of this amount, \$220,060,504 revenue was collected; and \$212,288,980.13 approved as VAT deferred, as shown below.

IMPORTATION VAT REVENUE ANALYSIS		
REVENUE PORT	LANDED COST (\$)	REVENUE COLLECTED (\$)
New Providence & The Family Islands (CAS On-Line)	2,575,253,058.80	193,143,979.41
Grand Bahama (CAS On-Line)	212,464,022.27	15,934,801.67
Abaco (CAS On-Line)	120,189,633.47	9,014,222.51
Other Family Islands (Off-Line)	26,233,338.80	1,967,500.41
SUB TOTAL (VAT Deferred Not Included)	2,934,140,053.33	220,060,504.00
VAT Deferred	2,830,519,735.07	212,288,980.13
GRAND TOTAL	5,764,659,788.40	432,349,484.13

AUCTION REVENUE

11.08 Bahamas Customs Public Auction was held in New Providence during the Fiscal Year 2015/2016. The Office of the Auditor General observed the Auction Process, reported the findings and recommendations, for continuous improvement to Customs Management. The Auction generated \$207,877 inclusive of \$14,363.51 VAT revenue.

11.09 Customs Revenue Statistical Report reflects all collections by Customs including:

- Deposit Fund Payments
- ✓ Transportation Fees

✓ Deferred Customs Duty

✓ Deferred VAT

■ Revenue collected on behalf of other agencies

✓ Landing Fees – Civil Aviation

✓ Wharfage Dues – Port Department

✓ Tonnage Dues – Port Department

✓ Importation VAT – Department of Inland Revenue

11.10 Revenue is not being posted to the General Ledger in the period collected.

■ The Treasury Family Islands Section, New Providence is responsible for journalizing deposits for the Family Islands Districts that are included in the Administrator’s cashbook. The deposits/revenue reports are not submitted in a timely fashion. As a result, posting is behind by three months in the following Revenue Centers:

✓ Eleuthera

✓ Andros

✓ Cat Island

✓ Inagua

✓ San Salvador

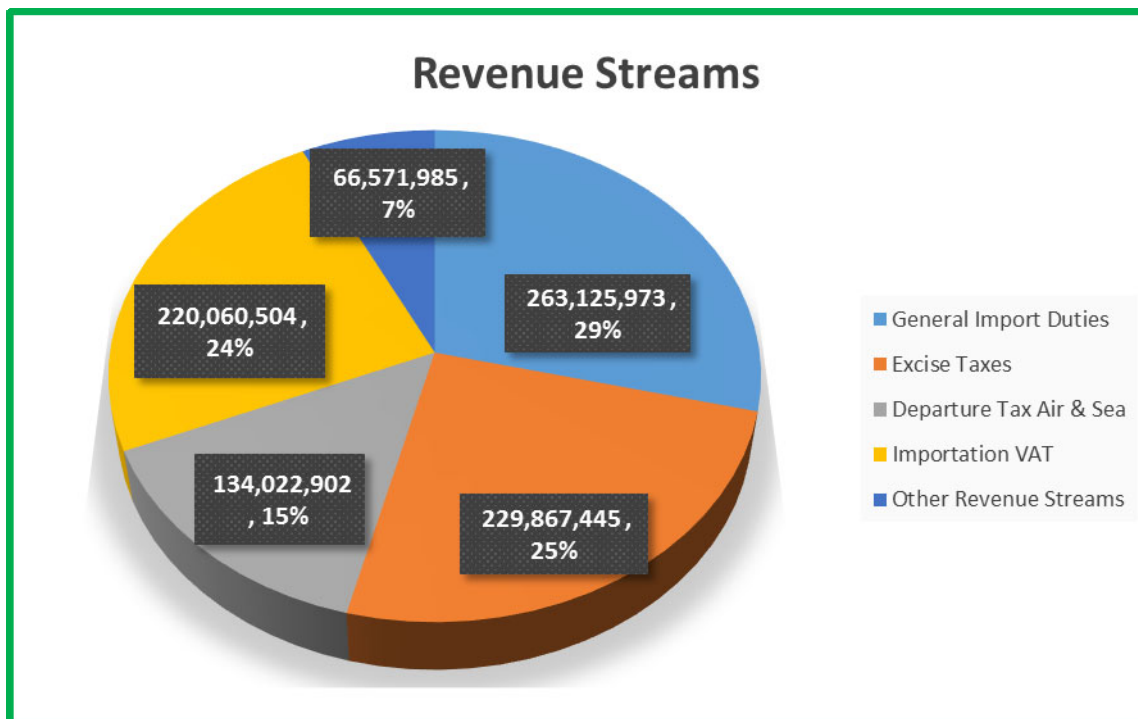
✓ Half Moon Cay

✓ Marsh Harbour, Abaco

CUSTOMS REVENUE PERFORMANCE

11.11 The table below is representative of the Customs Department revenue performance by revenue streams. The General Import Duties and Excise Taxes lead the revenue collections at 54% or \$492.99 million of the overall \$913.64 million generated. This is significant, given the reductions to incorporate VAT in the taxation system. Conversely, VAT accounted for 24% or \$220 million of the \$913.64 million revenue collected by Customs.

REVENUE STREAMS	REVENUE COLLECTED (\$)	REVENUE PERFORMANCE
General Import Duties	263,125,973	29%
Excise Taxes	229,867,445	25%
Departure Tax Air & Sea	134,022,902	15%
Importation VAT	220,060,504	24%
Other Revenue Streams	66,571,985	7%
TOTAL	913,648,809	100%



DEFERRED PAYMENT REVENUE COLLECTION

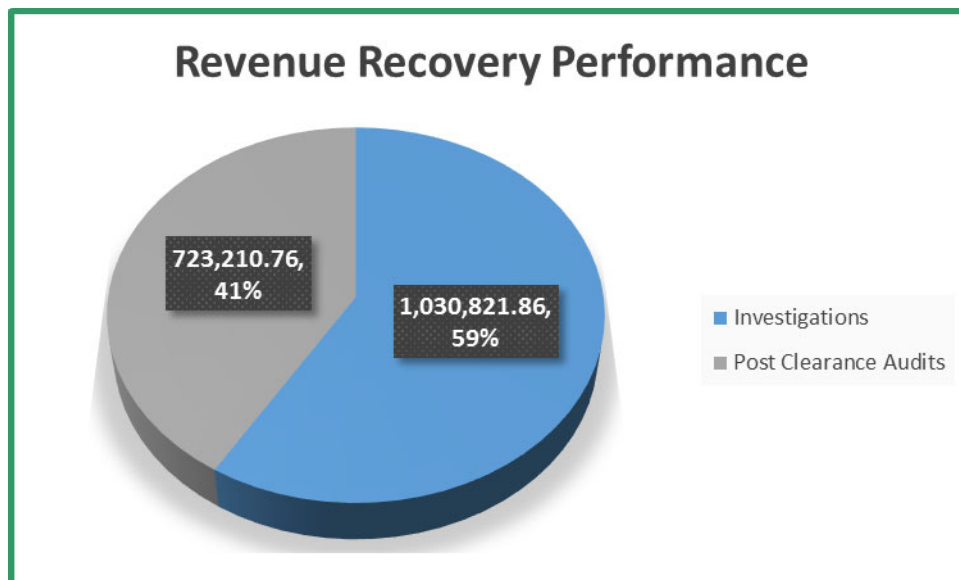
11.12 The deferred payment plan from 2014 to 2016 totaled \$2,649,120.38. To date, Customs collected \$1,700,128.28 through the payment plan process; the remaining balance of \$948,991.90 to be collected, as shown below.

DEFERRED PAYMENT BALANCE			
DEFERRED PAYMENT PLAN	DEFERRED AMOUNT	PAYMENT TO DATE	PAYMENT BALANCE TO DATE
2014 - 2016	2,649,120.38	1,700,128.48	948,991.90

CUSTOMS REVENUE RECOVERY

11.13 In 2016, the Customs Enforcement Section through investigations and post clearance audits recovered \$1,754,032.62 in revenue, as shown below.

CUSTOMS ENFORCEMENT REVENUE RECOVERY PERFORMANCE 2016		
ENFORCEMENT SECTION	INVESTIGATION TYPE	REVENUE RECOVERED (\$)
Post Clearance Audit (PCA)	Field Audits -2 Desk Audits -317	723,210.76
Investigation	Investigation Cases - 113	843,360.14
Investigation (Freeport)	Investigation Cases - 52	187,461.72
TOTAL	AUDITS - 319 INVESTIGATIONS - 165	1,754,032.62



The investigations accounted for \$1,030,821.86 or 59% of the recovered revenue and post clearance audits for 41% or \$723,210.76.

Customs Management's Perspective on the Revenue Recovery Performance

"This section has performed exceptionally well and has caused an increase in collection of lost revenue, has increased the regular stream of revenue collection due to measures put in place and has made the presence and enforcement of Customs more visible to stakeholders."

The Office of the Auditor General (OAG) furthers the advocacy of the enforcement work of the Customs Department, to recover the revenue and to prevent revenue that lawfully belongs to the government from being lost.

AIR EXPRESS

- 11.14 Continuous audits were conducted during the year, informing the Customs Department of the incorrect rate of duty being applied in some instances. Queries were periodically raised relating to the aforementioned.

CUSTOMS HOUSE ENTRIES

- 11.15 Continuous audits were conducted during the year; the incorrect rate of duty was applied in many instances. Queries were raised for the period relating to the aforementioned.

FAMILY ISLAND ACCOUNTS

- 11.16 Continuous audits were conducted on the Customs Section at Abaco, Eleuthera, Exuma and Grand Bahama by our satellite offices. Accounts from our ports were audited in Nassau. Additional surprise audits were performed. During the audits for Family Island accounts, the following were observed:
- I. Incorrect rates of duty were applied; and
 - II. At some ports of entry, the warehouse space is inadequate.

ODYSSEY

- 11.17 Continuous audits were conducted during the year, informing the Customs Department of the incorrect rate of duty being applied in some instances. Queries were periodically raised relating to the aforementioned.

GLADSTONE FREIGHT TERMINAL

- 11.18 Audits were conducted during the year where queries were raised, as well as incorrect rates that were applied for the period relating to the aforementioned.

INCOMPLETE MANIFEST

- 11.19 We have conducted examination of incomplete manifest and the following was observed:
- a. A large number of bills of lading were released without evidence to suggest duties were not collected.

QUERIES

- 11.20 In 2015/2016 Fiscal Year the OAG raised 158 queries totaling \$61,543.44 with the Customs Department. Of this amount, 106 were satisfactorily resolved and resulted in revenue collection totaling \$33,499.29.

PORT/STATION	QUERIES SENT	DOLLAR VALUE \$	QUERIES ANSWERED	DOLLAR VALUE \$
Customs House	27	32,781.62	19	15,511.39
Gladstone Freight Terminal	83	20,815.51	57	15,754.22
Family Island	43	7,391.62	26	1,718.19
Air Express	5	554.69	4	515.49
TOTAL	158	\$61,543.44	106	\$33,499.29

RENTAL OF OFFICE SPACE

11.21 We have determined that the collection of rental office/cargo space is being satisfactorily maintained.

INVENTORY OF GENERAL REVENUE BOOKS

11.22 Our main findings were as follows:

- I. The Counterfoil Issue Notes were not organized in a consecutive monthly sequence in the file folder;
- II. The Departure Tax Receipt Books were not recorded in the Receipt Book Register;
- III. The transactions are recorded in pencil in the Receipt Book Register.

SECTION TWELVE



CONFISCATED ASSETS

CONFISCATED ASSETS FUND

12.01 In our opinion, the Confiscated Assets Fund is being operated in accordance with the Proceeds of Crime Act 2000, the Financial Administration and Audit Act 2010, subsequent amendments and Financial Regulations 1975; and that the statements of accounts present fairly, and in all material aspects, the financial position of the Fund as at June 30, 2016. The balance of the Fund as at June 30, 2016 was \$2,018,882.

CONFISCATED ASSET FUND FUND STATEMENT AS AT JUNE 30, 2016	
Opening Fund Balance	\$ 6,060,822
Deposits	622,439
Interests	97,225
Payments	4,761,604
Fund Balance	\$ 2,018,882

SECTION THIRTEEN



GAMING BOARD

OVERVIEW

The new Gaming legislation came into effect November 24th, 2014. Section 64, Gaming Act, 2014 refers to the imposition of **basic** and **gaming** taxes. The basic tax is paid according to the floor space or square footage of the casino. Basic taxes are paid only by casino operations.

Gaming taxes are imposed on all gaming operators’ winnings in accordance with the Gaming Regulations, 2014, Gaming House Operator Regulations, 2014 for Gaming Houses and the Heads of Agreement of the respective Casino Operators. Section 57, Gaming House Operator Regulations, 2014 refer to gaming taxes payable by Gaming House Operators as the greater, of eleven per centum of **taxable** revenue, or twenty five per centum of EBITDA.

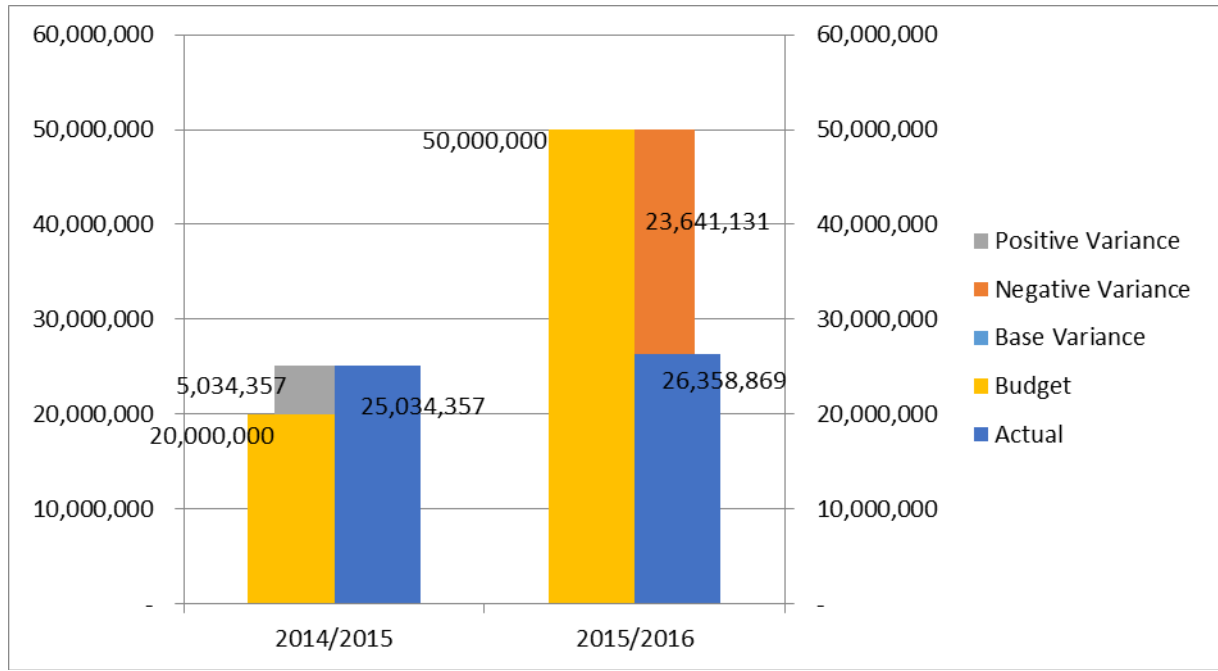
BASIC & GAMING TAXES REVENUE

13.01 The Gaming tax revenue consists of basic and gaming taxes. The gaming revenue generated in 2015/2016 totaled \$26,358,869. The revenue analysis below shows that in 2015/2016 the gaming revenue increased by \$1,324,512 or 5% when compared to \$25,034,357 collected in 2014/2015.

GAMING TAX REVENUE BUDGET VARIANCE ANALYSIS			
FISCAL YEAR	APPROVED FORECAST REVENUE (\$)	ACTUAL REVENUE (\$)	VARIANCE (\$)
2014/2015	20,000,000	25,034,357	5,034,357
2015/2016	50,000,000	26,358,869	(23,641,131)

13.02 Although there was an increase in gaming revenue collection for the fiscal year, there was a revenue shortfall of \$23,641,131 or 47% when compared to the \$50,000,000 approved forecast revenue. The variance analysis chart illustrates the revenue budget performance, actual verses approved estimate.

GAMING TAX REVENUE BUDGET VARIANCE ANALYSIS



13.03 We also noted that casino tax and gaming tax were reported as a combination under one line item: 9051100 -11, instead of separate line item presentation.

We recommend that the casino tax and gaming tax be reported under individual line item, so that the revenue generated for each item; could be appropriately classified in the budget and the financials.

Gaming Board Management Response

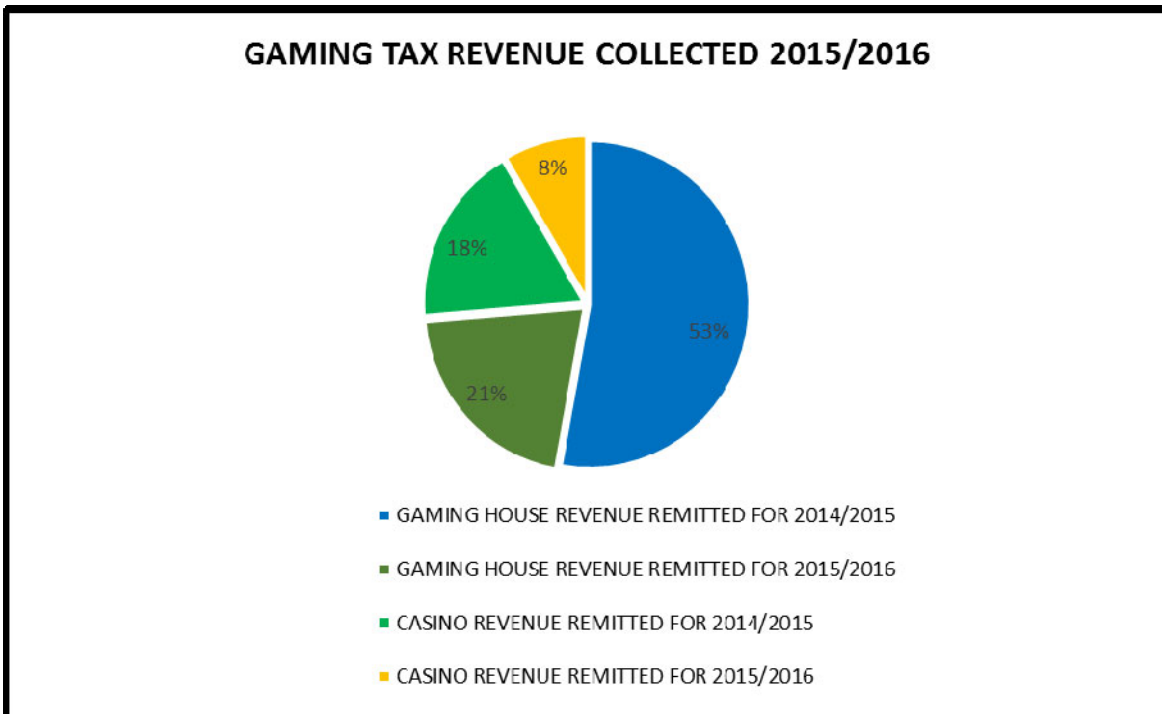
The Gaming Board agrees that the basic taxes and gaming taxes should be reported as separate line items.

GAMING TAX REVENUE BREAKDOWN

13.04 In determining factors contributing to the 47% budget short fall, we noted that actual revenue collected for and within the period was \$34,125,447.27 or 68% of the estimated revenue, but due to delay in wire transfers to the Treasury, some \$7,766,578.27 collected was not remitted until after the close of the 2015/16 period. If the gaming tax revenue had been remitted to the Treasury each month, instead of the 47% budget revenue shortfall, it would have been 32% or \$15,874,552.73. Then the budget performance would have been more favorable than the \$23,641,131 short fall, because the variance would have been lower.

We also noted that the inconsistent filings by some operators contributed to the shortfall as well. On the other hand, \$ 7,701,882.92 or 29% of the revenue collected in 2015/2016 was for the 2014/2015 fiscal period. The table below further illustrates the gaming tax revenue breakdown for 2015/2016.

GAMING TAX REVENUE ANALYSIS 2015/2016		
REVENUE STREAM	AMOUNT PAID/REMITTED (\$)	% BREAKDOWN OF ACTUAL REVENUE
GAMING HOUSE REVENUE REMITTED/PAID FOR 2015/2016	13,937,398.09	53%
GAMING HOUSE REVENUE REMITTED 2015/2016 (PAYMENT IS FOR 2014/2015)	5,483,436.36	21%
CASINO REVENUE REMITTED/PAID FOR 2015/2016	4,719,587.99	18%
CASINO REVENUE REMITTED 2015/2016 (PAYMENT IS FOR 2014/2015)	2,218,446.56	8%
TOTAL	26,358,869.00	100%



We recommend that gaming tax collections be remitted to the Treasury Accounts each month.

Gaming Board Management Response

The Gaming Board agrees with the recommendation.

OUTSTANDING BASIC AND GAMING TAXES – CLOSED CASINOS

13.05 Prior to the new 2014 legislation governing gaming activities (The Gaming Act, The Gaming Regulations, and The Gaming House Operator Regulations), Casinos basic and gaming taxes were paid to and collected by the Treasurer. Accordingly, the \$57.57 Million outstanding revenue, as shown in the Schedule and Payment of Basic and Gaming Taxes, is presented to the Ministry of Finance and the Treasury Department for discussion for resolution.

OUTSTANDING BASIC & GAMING TAXES FOR CLOSED CASINOS	
CLOSED CASINOS	AMOUNT (\$)
Lucayan Beach	
<i>Basic Tax \$1,300,000.00</i>	
<i>Actual Gaming Tax \$20,831,056.40</i>	22,131,056.40
Casino at Bahamia	
<i>Basic Tax \$600,000.00</i>	
<i>Actual Gaming Tax \$12,619,141.78</i>	13,219,141.78
Ruffin Crystal Palace	
<i>Basic Tax \$566,666.66</i>	
<i>Actual Gaming Tax \$6,710,073.98</i>	7,276,740.64
Carnival Leisure Industries	
<i>Basic Tax \$0.00</i>	
<i>Actual Gaming Tax \$4,077,402.10</i>	4,077,402.10
Isles of Capri	
<i>Basic Tax \$51,613.02</i>	
<i>Actual Gaming Tax \$73,342.53</i>	124,955.55
Grand Bahama	
<i>Deferred Taxes</i>	10,750,000.00
TOTAL	57,579,296.47

We recommended that urgent steps be taken to collect outstanding taxes and that Section 194, "Penalty and interest for failure to pay tax when due" of the Gaming Regulations, 2014 be comply with. We further recommended that discussions with the Ministry of Finance continue, in an effort to clear the books of the amounts owed by the closed Casinos if deemed uncollectable.

Gaming Board Management Response

The Gaming Board agrees with the recommendations. The newly enacted Gaming Legislation in 2014 empowers the Gaming Board with the authority to levy penalties and interest to any operator that fails to pay taxes when due. It should be noted that the outstanding taxes captioned above relate to a period prior to the 2014 enactment. Therefore, the responsibility for the collection of outstanding taxes, and subsequent enforcement of applicable penalties, do not fall within the authority of the Gaming Board.

MINISTRY OF FINANCE

CAPITAL REVENUE

SALE OF GOVERNMENT VEHICLES

13.06 The capital revenue generated in 2015/2016 for the sale of the Government vehicles totaled \$57,334. We were able to verify the sale of the asset from the following documentation:-

- (a) The bill of sale for the vehicles;
- (b) Authorization from Ministry of Finance confirming the persons that were awarded the right of sale; and
- (c) A list of employees receiving salary deductions to pay for the vehicles that were sold.

13.07 However, we were unable to verify and confirm the following, as the documentation was not on file:-

- (a) The commencement and ending dates of the payment;
- (b) The request of approval from the Tenders Board to determine whether the vehicles were to be sold or condemned.

13.08 We made enquires as to the bids submitted for the vehicles and the approved listing, however, we were informed that this process ceased and a new policy is in place supported by Cabinet Conclusion. We requested to have sight of the Cabinet Conclusion; however, we were unable to obtain the document. As a result, we were unable to verify the new process for the sale of the Government vehicles.

13.09 We requested the Fixed Asset Register for the vehicles, for review, but It was not provided. Thus, we were unable to determine the number, valuation, type and location of the Government's vehicle fleet.

13.10 We recommend the following:

- I. The Cabinet Conclusion relating to the sale of Government vehicles be provided as requested.
- II. A Schedule(s) of Capital Asset detailing the vehicles approved for sale and/ or condemned be provided prior to the Public Auction Process.
- III. The fleet of vehicles for sale and/or to be condemned be made available for Audit inspection and verification, prior to the Public Auction.
- IV. A Fixed Asset Register for all the Government vehicles be maintained.

CONTRACTS

13.11 We requested the Contracts Register and copies of sample of contracts selected for audit review; however, these were unavailable.

13.12 We recommend the following:

The Contracts Register and Current Contracts File should be maintained to account for all contracts and the same be made available upon the OAG's request.

The Contracts Register should contain information on, but not limited to, the following:-

- ✓ Current contracts and who is supplying them;
- ✓ Start and end dates of the contracts;
- ✓ The value of the contracts, as well when the next contract is due for renewal; and
- ✓ The Contract File should be current with all contracts affixed.
- ✓ The Contract File to be made available as requested by the OAG.

SECTION FOURTEEN



POST OFFICE

IMPORTANCE OF EFFECTIVE & EFFICIENT POSTAL PRODUCTS DELIVERY SERVICES

- 14.01 Globally effective and efficient postal service administration of a nation is vital in the delivery of domestic and international postal products inclusive of mails and packages. The postal services provided by the General Post Office Department are no exception. In fact, the consistent maintenance of adequate services is paramount; given the archipelago structure, along with the Post Office Savings Bank, that facilitates financial services to both the customers and the Government. Conditions at the General Post Office are affecting the efficiency of the postal operations at all locations.
- 14.02 Providing services while maintaining respectability in the global community is entrenched in the Department's mission: *"To be recognized and respected for its timely collection and transmittal of postal products, a fully featured, market orientated and profitable business, which meets the communication and physical distributional needs of its customer."* The Office of The Auditor General ("OAG") notes the same and evaluates the Department's performance accordingly in accordance with legislative governance.
- 14.03 We observed the challenges facing the operations and the administration of the Post Office from 2012 to date. The challenges are: staffing deficit, working conditions, utility/ air-conditioning problems and the ongoing renovations of the facilities. In addressing some of the problems, management restructured the operations as follows:
- ✓ Reduction in operational hours General Post Office Headquarters, East Street Hill;
 - ✓ Temporary closure to Cable Beach Post Office under renovations;
 - ✓ Cable Beach staff relocated to Carmichael Road and the General Post Office, East Street Hill;
 - ✓ Reduction in operational hours at Grants Town Post Office and South Beach Post Office (utility maintenance problem/air-condition malfunction);
 - ✓ Temporary closure of Post Office, Acklins Crooked Island District, until a substantial Post Office staff is in place; and

- ✓ Improving the facility of the General Post Office – Post Office Department management involvement with the relocation Project (Town Centre Mall) in progress.

Management stated that, the problems at General Post Office Headquarters have affected postal services delivery across the Commonwealth of The Bahamas and beyond.

We recommend repairing the utility/air-conditioning systems and upgrading of general working condition or relocate to a better facility.

Management Response

While the air conditioning system is repaired, the relocation of the General Post Office is expected within the next two (2) to three (3) months.

ORGANIZATIONAL STRUCTURE

14.04 Management expressed concerns with the various vacancies existing within the organization. Highlighted below are the vacancies listing.

Vacant Post	Post Title	Station/Location
1	Post Master General	General Post Office Department
1	Senior Deputy Postmaster	General Post Office Department
1	Deputy Postmaster	Freeport, Grand Bahama
1	Deputy Postmaster	Sub Post Office
1	Assistant Postmaster	Family Island
1	Assistant Postmaster	Parcel Post/E.M.S
1	Assistant Postmaster	Post Office Savings Bank
1	Assistant Postmaster	General Post Office Sorting Office
5	Senior Superintendant	Family Island
4	Superintendant	General Post Office Headquarters
1	Postman	General Post Office Headquarters
6	Senior Sorter Dispatcher	Family Islands
1	Senior Sorter Dispatcher	General Post Office Headquarters
6	Sorter Dispatcher	General Post Office Headquarters
15	Sorter Dispatcher	Family Islands
2	Distribution Postmaster	General Post Office & Abaco
10	Clerical, Finance & Support Staff	General Post Office Department
58		

The Post Office Department management informed the OAG that to effectively and efficiently process the postal services transactions, the staff compliment must be increased. Reference was drawn to the Computer System crashing in 2008, as some accounts have not been posted current from this date. The need was emphasized for Clerical Staff and Sorter Dispatchers positions to be filled, as well as the management team posts.

We recommend that management follow-up with all concerned to address the vacancies to meet the human capital need. Further, automation is needed to reduce the manual intensive work processes.

Management Response

Post Office vacancies are being currently addressed with the Ministry, and it is anticipated that we will see progress once the Post Office is relocated to its new operation site. Automation will be an added feature to the operation, once relocated.

PARCEL POST BACKLOG STATUS

- 14.05 The backlog in Terminal Parcel Post Unit backdates from 2013 to date. Management informed us that with the implementation of shift work 8:30am to 12:00pm, the staff worked consistently to bring resolve to the backlog, however the process is hampered by unresolved air-condition issue and the unsuitable environmental working conditions.

We recommend that efforts continue to be made to reduce the parcel post backlog, to bring the work current. We further recommended that, the air-conditioning problem be resolved as soon as possible, so that normal working and operational hours could be resumed.

Management Response

Efforts are ongoing to reduce the parcel backlog, and progress is being made. We are pleased to report that the air conditioning problem is resolved; however, working hours remain on a reduced schedule, given the very obvious poor working conditions/environment. Normal hours will resume with the relocation of the General Post Office.

BACK LOG OF POSTAL TERMINAL DUES BILLINGS – OUTSTANDING REVENUE

14.06 The remuneration processing for delivering letter-post items to other countries is backlogged for more than a year. The backlog resulted in outstanding revenue, which is undetermined. The Post Office is required to process the billings in a timely fashion to collect payments from other countries for the mail services provided.

Unprocessed billings beyond the regulated period results in revenue lost. The Post Office management informed the OAG that the staff shortage and reduced working hours contributed to the delayed billings processing of the terminal dues.

The Universal Postal Union coined terminal dues as *“an important source of revenue”*.

We recommend that the billings be processed and brought current to collect all outstanding payments for terminal dues. Further, terminal billings should be processed in a timely manner to collect all of the government revenue and to prevent revenue lost.

Management Response

Every effort is being made to bring billings current; however, the lack of sufficient manpower remains a challenge. We anticipate that this will change with the provision of additional staffing.

POST OFFICE SAVINGS BANK

14.07 The OAG requested information on the status of the bank accounts, but was unable to obtain the same because the system is not automated. Management stated that there are about 28,000 accounts; 19,000 estimated to be active and 9,000 inactive/dormant.

We recommend that the accounting records be captured electronically, bringing records current for accounting and reporting purposes.

Management Response

We are anticipating compliance with this recommendation with the expected automation of our banking transactions.

CURRENT PROGRESS ON TRANSFERRING POST OFFICE SAVINGS BANK DORMANT/INACTIVE ACCOUNTS TO THE CENTRAL BANK

- 14.08 The OAG was informed that the “*turn over*” of dormant accounts to the Central Bank could not be processed because the data must be electronically transmitted.

We recommend that the completed electronic records of the Post Office Savings Bank dormant/inactive accounts be provided for the OAG audit review prior to the “*turn over*” to the Central Bank.

Management Response

The accounts will be provided, as requested.

POST OFFICE SAVINGS BANK FINANCIAL STATEMENTS

- 14.09 The Post Office Savings Bank is governed by the Savings Bank Act of 1936. The management of the bank is the responsibility of the Postmaster General, as mandated by chapter 302 of the Statute Laws of The Bahamas and its subsidiary legislation, The Savings Bank Rules. By law, financial statements are required to be prepared annually. During the audit, we were not presented with nor were we able to verify any figures pertaining to the Post Office Financial Statements, as mandated in Chapter 302 (Section 12) of the Savings Bank Act. The reason given was that the last Financial Statement was produced in 2010 for the fiscal year 2002. Due to this scope limitation, we were unable to give an opinion on the operations of the Bank.

We recommend that the Post Office Department prepare Financial Statements annually, to be in conformity with Chapter 302, Section 12 of The Post Office Savings Bank Act.

Management Response

The Post Office anticipates that current efforts to automate will result in its ability to facilitate the preparation, and completion, of annual financial statements.

REVENUE ANALYSIS

- 14.10 Revenue collected for 2016 Fiscal Year totaled \$3,174,241, which was \$1,032,285 less than the approved forecasted target of \$4,476,526 or a revenue shortfall of 29%. In comparison to the \$4,650,689 collected in 2015, revenue is down by \$1,476,448 or 32% as shown in the analysis table.

POST OFFICE DEPARTMENT REVENUE ANALYSIS - ACTUAL VS FORECASTED 2016				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	PROVISIONAL ACTUAL REVENUE 2014/2015 (\$)	PROVISIONAL ACTUAL REVENUE 2015/2016 (\$)	FORECASTED REVENUE 2015/2016 (\$)	ACTUAL REVENUE FORECASTED VARIANCE 2015/2016
9074220 Stamp Tax - Post Office	6,851	4,643	7,700	(3,057)
9119100 Value Added Tax	44,886	102,048	94,730	7,318
9201500 Rent - Government Corporation	10,800	4,700	12,000	(7,300)
9211100 Interest from Investment	3,968		0	-
9233110 Sale of Stamps	1,152,771	712,224	1,145,000	(432,776)
9233120 Receipts of Postal Meters	1,775,105	721,127	1,768,209	(1,047,082)
9233210 Parcel Post Allowance	108,185	184,684	0	184,684
9233220 Payment for Foreign Mail Delivery	87,704	101,864	84,658	17,206
9233310 Rent of Private Letter Boxes	1,071,293	1,084,925	885,000	199,925
9233320 Receipts in Cash for Repayment	168,462	44,167	148,030	(103,863)
9233400 Commission - On Postal Money Orders	171,642	176,050	231,325	(55,275)
9233500 Miscellaneous Postal Revenue	44,610	37,348	71,617	(34,269)
9233600 Transfer of Mail (New Providence)	0		0	-
9233700 Storage Fees	688	2	0	2
9233800 Air Terminal Charges	3,724	0	28,257	(28,257)
9233900 Philatelic Materials	0	459	0	459
TOTAL	\$ 4,650,689	\$ 3,174,241	\$ 4,476,526	(1,302,285)

We performed a revenue trend analysis from 2011- 2016 showing, although fluctuations; the actual revenue was steady, until the notable drop of more than a million dollars in 2016.

POST OFFICE DEPARTMENT REVENUE TREND ANALYSIS						
FISCAL YEAR	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)	2016 (\$)
ACTUAL REVENUE	4,075,202	4,712,917	4,724,041	4,652,516	4,650,689	3,174,241
APPROVED FORECASTED REVENUE	5,191,638	5,429,009	5,203,220	4,445,460	4,097,548	4,476,526
REVENUE BUDGET OVERPERFORMANCE (UNDERPERFORMANCE)	(1,116,436)	(716,092)	(479,179)	207,056	553,141	(1,302,285)
REVENUE SHORTFALL	-21.5%	-13%	-9.2%	5%	13%	-29%

14.11 Management informed us of the following revenue enhancement initiatives:

1. **Automated Postal Services – E-Commerce Platform (Stand Alone Postal Website)**

In the past, the General Post Office had its own Webpage/Website like post offices in other jurisdictions. Currently, accessing the Post Office information is available via the Bahamas Government General E-Commerce Portal. This is required and necessary for general information, however, the Website for Postal Delivery Services Products is not in place for users to access the services in real time, purchase products, make the required payments and track deliveries. This calls for the reinstatement of the General Post Office “*Stand Alone*” Website; for the automation to provide E-Commerce postal delivery products services.

The automated system will move into E-Commerce with ease to be competitive and remain on the cutting edge with Postal Operators in the Caribbean and around the world. In this way, the automation upgrade will enable the Post Office to accommodate “*E-Commerce*

Online Shopping” as a “*Courier of Choice*”. As such, shoppers will be able to pay for the postal services on-line and pick-up the ordered and delivered goods from the Post Office. This initiative is ultimately a revenue enhancement mechanism and an opportunity to provide diversified postal services in a digital economy.

2. Courier Service Provider Revenue

In the past, the Post Office earned courier service revenue from the alliance that existed with FedEx for the drop and pick-up charges. The service was suspended for a while, due to the challenges of the working and operational conditions that the Post Office faced. The ongoing Government work-in-progress designed to rectify the conditions, restore and upgrade the postal services has allowed the alliance with FedEx to be reunited. With this reestablishment of services with the courier operator, the Post Office expects to earn additional revenue.

3. Expansion of Philatelic Services - Supplies (Stamp/Stamp Collectors Products)

The OAG review of actual revenue of Philatelic Materials under Services of a Commercial Nature disclosed no activities to generate revenue for 2014/2015. For this reporting, period 2015/2016, the revenue collected totaled \$459. Management stated that, given the demands of philatelic supplies of goods in the European and United States markets and that trending in the Bahamas as well, the Post Office is gearing to reinvigorate sales by producing:

- ✓ Postal Cards
- ✓ Postal Tote Bags
- ✓ Postal Mugs and Cups
- ✓ Gifts
- ✓ Commemorative Stamps (National Heroes, National Celebrations, Special Stamp Issuances, Reflecting Bahamian Experiences, Collectors' Items)
- ✓ Philatelic Kiosks/Booths in the Tourism Welcome Center Bay Street and at Airports (Nassau, Grand Bahama, Abaco and Exuma)
- ✓ E-Commerce on-line shopping Philatelic Material

We recommend management embrace the revenue enhancement initiatives to increase revenue.

Management Response

The Post Office is on schedule to embrace, in the first instance, some of the aforementioned revenue enhancement initiatives, with others to follow as restructuring efforts progresses.

POST OFFICE MANAGEMENT CONCERNS

14.12 Management expressed the following concerns:

1. Post Office Savings Bank Deposit and Withdrawal Ceiling

The ceiling for deposits is \$6,000 and the withdrawals of \$3,000. Customers using the banking services, particularly, in the islands and rural locations where there are no commercial banks, are unable to make deposits and withdrawals after reaching the maximum ceiling. Management indicated the need to increase deposits to \$30,000 and withdrawals to \$15,000.

2. Postal Service Operational Tools

Postal scanners are required for the scanning of mailbag tags and packages to capture the records in its database.

3. Local Government Administrators – Postal Revenue Remittances

In Family Island Districts where the Post Officer does not have a Postmaster, the Family Island Administrator serves as the Postmaster. The Local Government Family Island Administrators are not collecting and remitting the revenue to the Post Office on a timely basis, the revenue is withheld for up to three months. The islands affected are:

- ✓ Exuma
- ✓ Ragged Island
- ✓ Berry Islands
- ✓ Acklins & Crooked Island
- ✓ North Andros
- ✓ Mayaguana

The locations of the islands and the air transportation challenges contributed to the delay in collecting the revenue from the islands. In some of the islands, the Family Island Administrators Office occupies a space in the National Insurance Office for a rental fee. The Post Office management sees this government integrated services alliance as a feasible venture to share the air transportation cost during NIB monthly visit, to travel as well to collect the revenue.

4. Risks in Delaying the Collection and Remittance of Revenue

In some cases, revenue from the Family Islands is not reported in a timely fashion. Given that cash is susceptible to misappropriation and misuse, withholding and handling, large sum of monies require risk mitigation controls. These controls are timely cash collection, depositing and reporting that are consistent with the policy and procedures as directed by the Public Treasury and the Financial Regulations.

5. Non-compliance with Controls Governing Reporting Revenue by Head and Line Item

In some of the Family Islands, the revenue deposit is not segregated to account for the appropriate Revenue Head and Line Item. Instead, the funds are lumped together on one deposit slip and this practice makes it difficult to detect the revenue sources/streams.

We recommend that management take the necessary actions to resolve the issues/concerns.

Management Response

Management is currently reviewing the Savings Bank Act, relative to the ceilings governing the deposit and withdrawal amounts. The provision of scanners is a part of the upgrade in operations that will be evident, within the next three (3) months. Discussions with Island Administrators, relative to timely remittance of accounts continue, and we are beginning to see progress in some areas. Efforts, in this regard, will continue. Transparency in the recording process of revenue deposits is of extreme importance to the Post Office. In this regard, we remind district offices to ensure that depositors are clearly identified/separated on deposit slips.

POSTAL SERVICES REFORMATION AND MODERNIZATION

14.13 The Post Office services delivery products transactions demand volumes of data, varied processes, documentation, reconciliation, accounting and reporting for the same. Currently, transactions are captured manually and the demand for electronic data is unavailable to users. Manual records include the following:

- ✓ Postal Box Rental Data
- ✓ Money Orders Data
- ✓ The Post Office Savings Bank Data
- ✓ Transactional Files Data

The volumes of manual records that are not posted-up-to-date impede processes to be performed by internal and external users; the required complete reports are unavailable. Accordingly, the Post Office management and the OAG discussed and emphasized the need for modernization of the postal delivery services through digitalization offering new values to customers with improved processes to realize benefits such:

- ✓ Automated banking system to effectively managing transactions for the Post Office Savings Bank with improved modern customer services;
- ✓ Automated system to accounts for all of the Post Office general transactions to improve the services and reduce turnaround time;
- ✓ Digitalization of records for paper reduction and easily assessable information; and
- ✓ Improved tools to reduce the manual intensive processes, that requires extra human capital;
- ✓ Capitalizing on “Smart Machines and The Internet of Things” to do things faster to improve efficiency and postal relevancy;
- ✓ Automated Postal Centers (Kiosks) – improving customers services in strategic locations; and
- ✓ Reduction in human capital contains cost and the resources could be redeployed to other areas of need.

We recommend that the modernization is needed and that efforts be made to digitalized processes.

Management Response

It is anticipated that automation of services will be implemented upon relocation of the General Post Office.

DEAD MAIL PROCESSING & UNDELIVERABLE VALUABLES

14.14 The Post Office from time to time process dead mail or packages. Mail is classified as “dead mail” or “undeliverable mail” when it cannot be delivered to the addressee or returned to the sender because:

1. *There is no return address to return the mail to the sender; and*
2. *The address is invalid and the mail cannot be delivered to the addressee.*

The “dead mail” is sorted for shredding is verified by a designated postal officer. Shredding “dead mail” requires the OAG presence to observe the process to ensure only dead mail is destroyed. The OAG was not informed of the shredding of dead mail to be on site during the process.

The OAG further enquired as to whether any undeliverable valuables or packages were identified, and if so, was an auction held. Post Office management stated that no valuables were identified as undeliverable and an auction was not held.

We recommended that audit presence be on site during the shredding of “dead mail” or “undeliverable mail”. This mandate also applies in the case of auctioning valuable undeliverable items.

Management Response

The recommendation is noted, and the department will comply.

CONCLUSION

The modernization of the General Post Office and the Post Office Savings Bank is vital to embrace economic opportunities for growth and sustainability in a digital economy.

SECTION FIFTEEN



TREASURY FINAL ACCOUNTS

Bank Reconciliation Statements

15.01 The monthly bank reconciliation statements are not prepared in reasonable time for some of the bank accounts.

15.02 We recommend that the bank reconciliation statements be prepared in timely fashion.

Salary Advance

Non- Receipting

15.03 Due to the non-integration of the JD Edwards Payroll System and the CA Accounting Information System, numerous salary advances that were “paid in full”, in the payroll system were shown as outstanding in the accounts receivable module.

15.04 We recommend the JD Edwards System be interfaced with the CA System to ensure accounts are systematically updated.

Treasurer’s Response:

Recommendation noted for JD Edwards to be interfaced with the CA System.

15.05 We also noted that in the AR505 Module (Detail Invoice by Customer) several salary advances that were not recorded.

15.06 We recommend that due diligence be exercised to ensure that all salary advances are recorded in the AR505 Module (Detail Invoice by Customer).

Treasurer’s Response:

Recommendation that due diligence is to be exercised to ensure that all salary advance are record in the AR505 Module is duly noted.

Outstanding Salary Advances

15.07 Salary advances totaling \$39,577 are the remaining balance for terminated employees, whose loans were not paid in full, prior to their departure.

15.08 **We recommend that the outstanding balance be recovered.**

Treasurer's Response:

Salary advances outstanding are deducted from terminated employees benefits such as gratuity, vacation pay or otherwise over-the counter payment are made. These payments to be displayed in the updated masterpiece 4.0 would be recommended.

Unrecorded Salary Advances Payment Deductions

15.09 Our audit of the Salary Advance Register and the Treasury Vouchers disclosed twelve salary advances for which no payments were being deducted in the JD Edwards Payroll System

15.10 **We recommend that the funds be recovered.**

Treasurer's Response:

A review of our records revealed the most officers have satisfied their salary advance obligations via manual over-the counter payments reflected in the 2015/16 and 2016/17 receipt books as well as deduction made during the fiscal year 17/18 JD Edwards Payrolls system. However, steps are being undertaken to recover any outstanding amounts.

Incomplete Salary Advances Deductions Payments

15.11 During our review of the JD Edwards Payroll System, it was noted that fourteen officers from various Ministries/Departments did not complete the required payments, leaving an outstanding balance.

15.12 **We recommend that the funds be recovered.**

Treasurer's Response:

A review of our records revealed the some officers have satisfied their salary advance obligations via manual over-the counter payments that are reflected in the 2015/16 and 2016/17 receipt books. However, necessary adjustments will be made to recover any outstanding amount otherwise.

Payroll Deductions Exceed Salary Limit

- 15.13 During our review of the monthly deductions, we observed that the 75% ceiling of the total allowable deductions from an individual's salary was not always followed, when putting new deductions on the payroll.
- 15.14 *We recommend compliance to Treasury Circular No 10/09 dated June 29, 2009 that states, "With effect from July 1, 2009 officers are allowed to have 75% of their salary deducted for transactions. The net take home pay should in no way be allowed to fall below 25% of gross salary."*

Total Payrolls Deductions from Gross Pay "Max Out" to Zero Net Pay

- 15.15 Review of the deductions from gross payroll also disclosed that at one point in the required payment period, some officers had zero net pay; the total deductions equal the gross pay.
- 15.16 *We recommend that the net take home pay should not be zero. Accordingly, the gross payroll should not be max out with deductions.*

Total Salary Advances Issued 2015/2016

- 15.17 According to the Commonwealth Of The Bahamas, Good Received Note and Treasury Vouchers provided for the period 2015/2016, total salary advances issued was One Million, Two Hundred Six Thousand, and Sixty- Four Dollars and Thirty-Four Cents (\$1,206,064.34).

Public Officers Loans

Salary Deductions Loans Granted above the 75% Limit

- 15.18 Our audit of the Public Officers medical, car, and educational loans disclosed that some employees were allowed to have deductions that exceeded 75% of their monthly gross pay. Processing deductions over the 75% ceiling is a departure from Treasury Circular No. 10 /09 dated June 29, 2009, however; the Ministry of Finance for employees to exceed the limit on special conditions granted approval.

Unrecorded Loan

15.19 Review of the 2015/2016 Loan Register and For Necessary Action (FNA) disclosed that the loan transaction for an employee, who received a loan in October 2015, was not recorded.

15.20 We recommend that the Loan Register be updated to account for all loans issued during the fiscal period.

Fund 11322 M/L&C Cancelled Cheques

15.21 We noted that some unclaimed cheques, with significant amounts, have been outstanding for years, for example: from 1989, 1992 and 1993 etc.

15.22 We recommend that controls in place to address long outstanding unclaimed cheques be followed.

Treasurer's Response:

The Cancelled Cheques Account will be addressed in 2018/2019 fiscal year.

Revenue Control Account/Undistributed Revenue

15.23 We noted significant balance at year-end in the revenue control accounts for various Ministries and Departments. This signifies that the reconciliation process required to complete the revenue collections and deposits transactions is incomplete. Accordingly, the revenue will not be distributed or posted to the appropriate line item by clearing out the revenue control account for the amount deposited.

15.24 We recommend that the revenue control accounts be reconciled in a timely fashion with the revenue deposits, so that the amounts could be posted to the appropriate revenue line item.

Treasurer's Response

The Revenue Control Account will be addressed in 2018/2019 fiscal year.

Dishonoured Cheques (Accounts Receivable)

15.25 The dishonored cheques balance is \$19,960,052 inclusive of amounts deemed as uncollectible. We were informed of the process that is in progress to have the amounts deemed uncollectible written-off.

15.26 We reviewed the Dishonoured Cheques Listing and noted the significant amounts are under the Customs Department and the Department of Inland Revenue. Since both of these Departments have Debt Collection/Recovery Units, recovering the amounts from some of the suppliers, taxpayers, financial services providers and other businesses that are still in operation is a special project to be considered to recover revenue.

15.27 We recommend that the Treasury proceed with completing the process to obtain approval for the amounts deemed uncollectible to be written-off. In the interim, we further recommend that consideration be given to using the Customs Department and the Department of Inland Revenue to recover the dishonoured cheques amounts from their clients/taxpayers.

Treasurer's Response

The Dishonoured Cheques Account amounts deemed uncollectible will be recommended for write-off in the 2018/2019 fiscal period.

Reconciliation of Suspense Accounts

15.28 There are balances in the Suspense Accounts that have not been cleared.

Treasurer's Response

The reconciliation of suspense accounts will be addressed in the 2018/2019 fiscal period.

In-Active & Dormant Accounts

15.29 We see no mention of *"In-active and Dormant Accounts"* in the Notes to the Financial Statements. In the 2014 Financial Statement these accounts were *"written-off"*, however, there were no documented information from the Minister of Finance approving the write-offs.

15.30 We request that the Cabinet Conclusion authorizing the write-offs be made available for the OAG.

Treasurers Response

With regards to the query on Inactive and Dormant Accounts 1.26 and 1.27; Note 28 has been added to the 2015/16 Financial Statements as per below. The Cabinet Conclusion approving the write-off has been provided.

Note: 28

"The inactive and dormant account amounts which are shown below and which were included in the Cash and Bank, the Current Account and the Deposit Fund Account Balances have been written off in Accordance with Section 25 of the Financial Administration and Audit Act 2010 and the Dormant and Inactive Accounts Regulations 2013. They have been approved by the Cabinet September 15, 2015."

FINAL ACCOUNTS FINANCIAL PERFORMANCE SUMMARY REVIEW

Recurrent Revenue Performance Analysis

15.31 The revenue collected in 2015/2016 fell short of the \$2,046,858,854 projection by \$57,626,586. The actual revenue totaled \$1,989,232,268 and the expenditure \$2,375,114,252, resulting in \$385,881,984 additional funding to meet recurrent expenditure obligations.

15.32 Although the projected \$2,046,858,854 revenue was not realized, it is notable that some Ministries and Departments collected more revenue than the budget estimate. This over performance resulted in \$175.69 Million more revenue, as shown under the Item/Head below.

REVENUE OVER PERFORMANCE ANALYSIS SCHEDULE

HEAD - DESCRIPTION	ESTIMATED REVENUE 2015/2016 (\$)	ACTUAL REVENUE 2015/2016 (\$)	OVER THE ESTIMATE (\$)
904 MOTOR VEHICLE TAX	39,011,915	41,659,993	(2,648,078)
907 STAMP TAX	97,430,248	100,032,826	(2,602,578)
911 VALUE ADDED TAX	544,727,419	628,532,481	(83,805,062)
919 FEES AND SERVICE CHARGES	281,373,260	317,405,543	(36,032,283)
920 REVENUE FROM GOVERNMENT PROPERTY	18,704,884	19,390,227	(685,343)
922 REIMBURSEMENT AND LOAN REPAYMENT	100,900	50,025,595	(49,924,695)
TOTAL REVENUE PERFORMANCE OVER THE ESTIMATE	981,348,626	1,157,046,665	(175,698,039)

15.33 The \$628.53 Million Value Added Tax (VAT) revenue generated was a result of the following activities:

- ✓ \$8.38 Billion was fueled in the economy for the consumption of taxable goods and services.
- ✓ \$52.5 Million injected in the economy by the Government for purchases of taxable supplies for its operational goods and services.

15.34 Some Ministries and Department revenue performance fell short of budget expectations. We noted that there was outstanding revenue and if it had been collected in a timely fashion, the revenue performance would have been notable, as in some cases, it would have exceeded budget expectations. Improving Taxpayer Services economically, effectively and efficiently to foster taxpayers' compliance with regulations; is the impetus for timely revenue collections, we advocate the same.

15.35 We recommend that the outstanding revenue be recovered to enhance revenue growth, meet budget expectations and beyond. Accordingly, Revenue Collections Controls, Revenue Recovery Units and Revenue Enhancement Unit should be strengthened across the Government-Wide Sector to pursue the revenue. The objective is to collect all the government's revenue to be had.

Borrowings, Grants & Other Capital Income

15.36 The Borrowings, Grants and Other Capital Income for 2015/2016 was \$578,495,516, a decrease of \$110,835,584 or 16% over the 2014/2015 figures. The proceeds were obtained from the following sources:

- ✓ Issuance of Stocks/Bonds
- ✓ Loans
- ✓ Treasury Notes
- ✓ Grants
- ✓ Sale of Government Assets

Advancing Revenue Recovery, Cost Containment, and Compliance and Enforcement initiatives results in increase cash flow. Increasing cash flow impacts borrowing reduction.

Recurrent Expenditure Performance

15.37 The 2015/2016 recurrent expenditure of \$2,375,114,252, when compared to \$1,902,748,233 in 2014/2015, increased by \$472,366,019 or 25%. Various Ministries and Departments went over the estimate budget by more than \$5 Million, resulting in a gross over budget amount of \$330.78 Million as shown in the schedule.

COST CENTERS: EXPENDITURE OVER APPROVED BUDGET ESTIMATE 2015/2016	
MINISTRY/DEPARTMENT	EXPENDITURE OVER THE APPROVED ESTIMATE (\$)
MINISTRY OF TOURISM	(45,171,692)
MINISTRY OF PUBLIC WORKS & URBAN DEVELOPMENT	(62,563,110)
DEPARTMENT OF EDUCATION	(12,630,305)
TREASURY DEPARTMENT	(162,005,723)
MINISTRY OF FINANCE	(9,702,877)
DEPARTMENT OF PUBLIC SERVICE	(12,001,258)
MINISTRY OF YOUTH, SPORTS & CULTURE	(5,699,757)
MINISTRY OF THE ENVIRONMENT & HOUSING	(5,358,866)
SUB-TOTAL COST CENTERS WITH OVER \$5 MILLION EXPENDITURE OVER THE APPROVED BUDGET ESTIMATE	(315,133,588)
OTHER COST CENTERS (MINISTRIES /DEPARTMENTS) OVER EXPENDITURE TOTAL	(15,651,697)
TOTAL EXPENDITURE OVER APPROVED BUDGET ESTIMATE	(330,785,285)

15.38 Out of the \$330.785 Million over expenditure, 90% or \$298.95 Million was expended on the following items, mainly the current portion of the Public Debt, as highlighted in the analysis schedule.

Head/Expenditure Line Items	Approved Estimate (\$)	Actual Expenditure (\$)	Over Expenditure (\$)
22 - 947001 Public Debt Servicing - Interest	266,361,023	274,994,910	(8,633,887)
22 - 947002 Fees & Charges on Debt Transactions	-	5,684,099	(5,684,099)
22 - 96700 Public Debt Servicing Redemption	152,184,988	310,699,072	(158,514,084)
33 - 919261 Water & Sewerage Corporation	24,000,000	38,360,000	(14,360,000)
67 - 914201 Operation – Ministry of Tourism	65,250,656	112,592,627	(47,341,971)
67 - 919220 Bahamasair Holdings Limited	-	64,418,283	(64,418,283)
Total	507,796,667	806,748,991	(298,952,324)

15.39 Notably, there were Ministries and Departments that contained cost growth by keeping the expenditure below the budget estimate, and this resulted in cost savings of \$54 Million, as shown analysis below.

COST CENTERS: EXPENDITURE UNDER THE APPROVED BUDGET ESTIMATE 2015/2016	
MINISTRY/DEPARTMENT	EXPENDITURE UNDER THE APPROVED ESTIMATE (\$)
MINISTRY OF HEALTH	8,563,682
ROYAL BAHAMAS DEFENCE FORCE	7,786,094
ROYAL BAHAMAS POLICE FORCE	4,274,839
BAHAMAS CUSTOMS DEPARTMENT	3,904,585
MINISTRY OF EDUCATION SCIENCE & TECHNOLOGY	3,241,847
MINISTRY OF GRAND BAHAMA	3,088,396
MINISTRY OF FOREIGN AFFAIRS & IMMIGRATION	3,024,361
JUDICIAL DEPARTMENT	2,451,246
DEPARTMENT OF IMMIGRATION	1,888,368
BAHAMAS DEPARTMENT OF CORRECTIONAL SERVICES	1,610,813
DEPARTMENT OF CIVIL AVIATION	1,582,909
DEPARTMENT OF SOCIAL SERVICES	1,503,393
SUB-TOTAL COST CENTERS WITH OVER MORE THAN \$1 MILLION EXPENDITURE UNDER THE APPROVED BUDGET ESTIMATE	42,920,533
OTHER COST CENTERS (MINISTRIES /DEPARTMENTS) EXPENDITURE UNDER THE APPROVED BUDGET ESTIMATE	11,115,271
TOTAL EXPENDITURE UNDER THE APPROVED BUDGET ESTIMATE	54,035,804

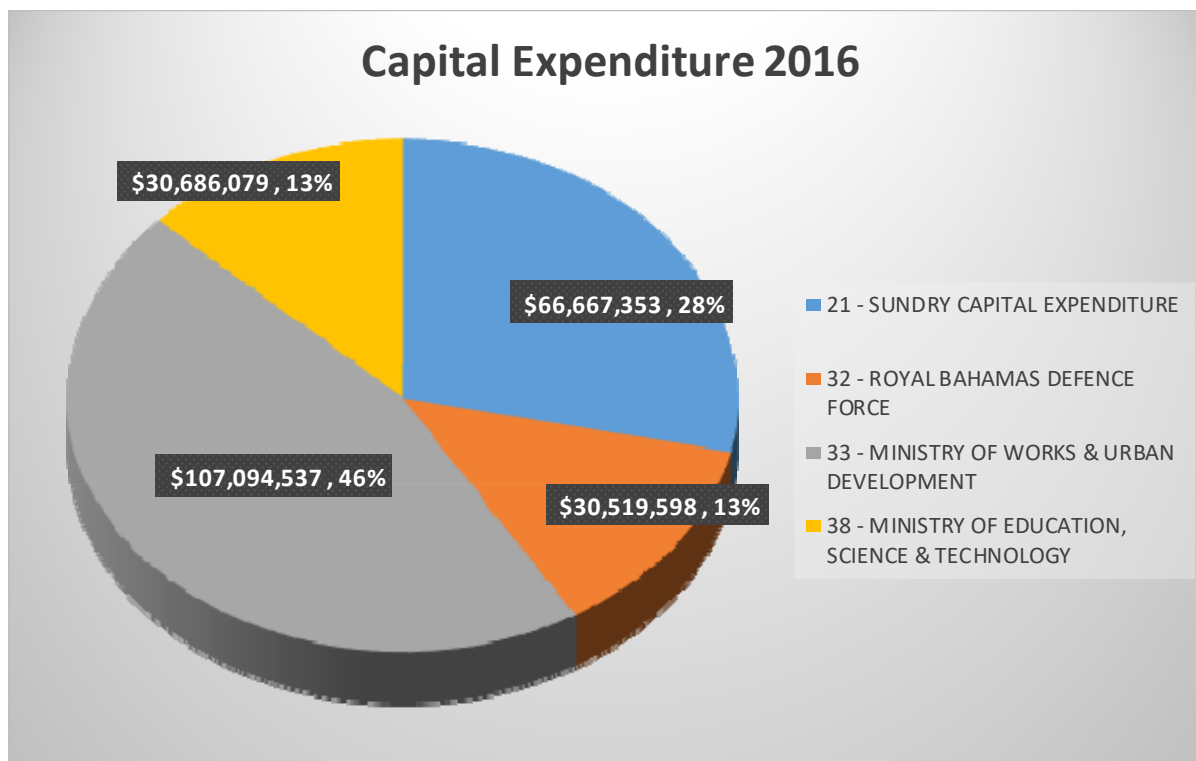
15.40 The net effect of the under and over budgeted recurrent expenditure is \$276,749,481 deficit. Incurring more expenditure than the revenue collected results in a deficit that contributes to the National Debt increase. The Ministries and Departments that contributed to the costing savings of \$54 Million set a trend, if followed; could assist in the reduction of the government's debt. In this way consideration, except for essential and critical needs, would be given to cost containment and that of reduction in government wastage expenditure.

15.41 We recommend continuous cost containment and revenue enhancement initiatives across the Government-Wide Sector. We further recommend that additional efforts be made to collect outstanding revenue inclusive of the deferred payments; to increase collections and reduce deficits.

Capital Expenditure

Capital Acquisitions, Development & Capital Outlays

15.42 The Capital Acquisitions, Development and Capital Outlays expenditure of \$234,967,567 went under the approved budget of \$242,114,388 by a cost savings of \$7,146,821. Shown below is the break-down of the expenditure.



15.43 Overall, in 2015/2016 the capital expenditure of \$234,967,567 compared with \$438,318,441 in 2014/2015 was down by 45% or \$203,350,874. Inclusive in the Capital Outlays are loans, contributions and advances to Corporations.

AUDIT CERTIFICATE



**AUDIT CERTIFICATE
THE FINAL ACCOUNTS OF
THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
FOR THE YEAR ENDED JUNE 30, 2016**

In compliance with Section 43 of the Financial Administration and Audit Act, 2010, I have examined several statements and accounts of the Government of the Commonwealth of The Bahamas as specified under Section 32(3) of the Act. The Financial Statements are the responsibility of the Treasurer. My responsibility is to examine and certify the Statements, based on the outcome of my examinations, as required by the Act.

These Financial Statements have been examined in accordance with The Financial Administration and Audit Act, 2010, The Financial Regulations 1975, The International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards and other auditing procedures as were considered necessary in the circumstances.

As result of my examination, I now report that due to the large Suspense Accounts Balances and weaknesses in the system of Internal Controls related to revenue and expenditure, I cannot attest to the completeness and fairness of Cash and Bank Balances.

Because of the fundamental importance, and material effect of these accounts as described in the preceding paragraph, on the statements of account, I am unable to certify that the Final Accounts of the Government of the Commonwealth of The Bahamas present a true and fair view of the state of affairs for the year ended June 30, 2016.

**Terrance S. Bastian (Mr.)
Auditor General**

Nassau, Bahamas
March 29, 2019

ANNEX



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ANNEX 1

BALANCE SHEET CONSOLIDATED FUND



THE GOVERNMENT OF THE COMMOWEALTH OF THE BAHAMAS

STATEMENT OF FINANCIAL ASSETS AND LIABILITIES (BALANCE SHEET)
AS AT 30-JUNE-2016
(CONSOLIDATED FUND)

	Notes	As at 30-Jun-2016 B\$	As at 30-Jun-2015 B\$
FINANCIAL ASSETS			
Cash and Bank Balances	(11)	103,476,035	118,297,607
Fixed Deposits CBoB	(17)	83,693,618	62,757,655
Fixed Deposits BoB (Consolidated Fund)	(17)	117,841,782	89,244,128
Dishonoured Cheques (Receivables)	(18)	19,960,052	19,852,280
Advances	(13a)	28,856,797	23,225,232
TOTAL FINANCIAL ASSETS		353,828,285	313,376,901
FINANCIAL LIABILITIES			
CURRENT LIABILITIES			
Bank Overdraft	(10 & 11)	275,006,256	246,312,342
Treasury Bills	(8)	599,281,900	579,281,900
Short Term Advances	(9)	144,657,052	134,657,052
Salary Deductions Payable	(12)	25,792,118	20,909,566
Other Short Term Depository Liabilities	(13b)	211,118,885	191,889,931
TOTAL CURRENT LIABILITIES		1,255,856,210	1,173,050,791
NET LIABILITIES		902,027,925	859,673,889
Supported by			
FUND BALANCES			
Consolidated Fund Current Account		(1,357,252,346)	(1,022,878,578)
Consolidated Fund Capital Development Account		455,224,421	163,204,688
TOTAL FUND BALANCES		(902,027,925)	(859,673,890)

the accompanying notes are an integral part of these financial statements

ANNEX 2

STATEMENT OF REVENUE AND EXPENDITURE



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

STATEMENT OF REVENUE AND EXPENDITURE FOR YEAR ENDED 30-JUNE-2016

(CONSOLIDATED FUND)

	Notes	Budget Financial Year Ended 30-Jun-2016 B\$	Actuals Financial Year Ended 30-Jun-2016 B\$	Actuals Financial Year Ended 30-Jun-2015 B\$
REVENUE				
Recurrent Revenue				
Tax Revenue	(4)	1,712,936,333	1,579,023,982	1,367,588,741
Non-Tax Revenue	(4)	333,922,521	410,208,286	360,888,357
SUB-TOTAL	(4)	2,046,858,854	1,989,232,268	1,728,477,098
Refund of Revenue			-	-
Total Recurrent Revenue Collected		1,770,461,002	1,989,232,268	1,728,477,098
Other Revenue Receipts				
Sale of Capital Assets	(6)	1,500	57,254	3,053,430
Grants and Aids	(6)	3,479,000	111,100	362,492
Total other Revenue Receipts	(6)	3,480,500	168,354	3,415,921
TOTAL REVENUE RECEIVED		1,773,941,502	1,989,400,622	1,731,893,019
OPERATING EXPENDITURE				
Recurrent Expenditure				
Personal Emoluments		689,008,928	684,442,420	659,558,799
Other Recurrent Charges		919,675,631	960,803,905	828,247,989
Other Cost Items				
Financing Cost- Interest Payments	(5)	266,361,023	280,679,009	253,002,064
Principal Debt/Sinking Fund Repayment	(5)	152,184,988	310,699,072	182,354,381
Total Other Cost		418,546,011	591,378,081	435,356,446
Grants, Contributions and Subsidies to Government Corporations		71,136,500	138,489,846	-
Total Recurrent Expenditure	(5)	2,098,367,070	2,375,114,252	1,923,163,233
Capital Expenditure				
Capital Development Expenditure		160,000,000	158,904,736	258,107,079
Other Capital Expenditure		82,114,388	76,062,831	23,164,164
Capital Grants, Contributions and Subsidies to Government Corporations		-	-	93,139,948
Total Capital Expenditure	(7)	242,114,388	234,967,567	374,411,191
Total Operating Expenditure		2,340,481,458	2,610,081,819	2,297,574,424
Deficit for the period		(566,539,956)	(620,681,197)	(565,681,406)

the accompanying notes are an integral part of these financial statements

ANNEX 3

STATEMENT OF CASH FLOW



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2016
(CONSOLIDATED FUND)

	Notes	Financial Year Ended 30-Jun-2016 B\$	Financial Year Ended 30-Jun-2015 B\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Recurrent Revenue	(4)	1,989,232,268	1,728,477,098
Increase/Decrease in Dishonoured Cheques		(107,772)	(718,908)
Recurrent Expenditure (less Debt repayment)	(5)	(2,064,415,179)	(1,740,808,852)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(75,290,683)	(13,050,662)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital revenue/grants	(6)	168,434	3,415,921
Capital acquisitions	(7)	(158,904,736)	(258,107,079)
Other capital expenditure	(7)	(76,062,831)	(23,164,164)
Capital Contributions, Subsidies & Grants	(7)	0	(93,139,948)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(234,799,133)	(370,995,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in Treasury Bills	(8)	20,000,000	30,000,000
Increase (Decrease) in Bank Advances	(9)	10,000,000	5,000,000
Increase (Decrease) in Other Advances	(10)	(5,631,565)	(5,139,048)
Increase (Decrease) in Salary Deductions	(12)	4,882,552	(5,511,537)
Increase (Decrease) in Other Deposits	(10)	19,228,953	6,090,325
Proceeds from Bonds/Stocks	(6)	87,310,000	275,000,000
Proceeds from US \$ Loan	(6)	45,000,000	0
Proceeds from EURO Loan	(6)	100,000,000	0
Proceeds from Loans	(6)	87,834,082	74,915,178
Proceeds from Loans Commercial Banks	(6)	258,183,000	270,000,000
Principal Redemption Payments on Public Debt/Payments into Fixed Deposits for Sinking Funds	(5)	(310,699,072)	(182,354,381)
NET CASH FLOWS FROM FINANCING ACTIVITIES		316,107,950	468,000,537
NET INCREASE (DECREASE) IN CASH		6,018,133	83,954,605
CASH AND CASH EQUIVALENT			
Cash and Cash equivalent at beginning of year		23,987,047	(59,967,558)
Cash and Cash equivalent at end of year		30,005,180	23,987,047

		Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015	Change
Cash and Domestic Bank Accounts	(11)	103,103,211	85,679,169	17,424,042
Foreign Banks denominated in B\$	(11)	372,825	34,711,188	(34,338,364)
Sub-Total	(11)	103,476,035	120,390,357	(16,914,321)
Fixed Deposits @ BoB (maturities less than 3months)	(17)	117,841,782	87,151,377	30,690,405
Fixed Deposits @ CBoB (maturities less than 3months)	(17)	83,693,618	62,757,655	20,935,963
Sub-Total		305,011,436	270,299,389	34,712,047
Less: Bank Overdrafts	10 & 11)	(275,006,256)	(246,312,342)	(28,693,913)
Net Cash & Cash Equivalent		30,005,180	23,987,047	6,018,133

the accompanying notes are an integral part of these financial statements

ANNEX 4

STATEMENT OF CONSOLIDATED FUND (CURRENT ACCOUNT)



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

STATEMENT OF CHANGES IN CONSOLIDATED FUND BALANCES FOR YEAR
ENDED 30- JUNE-2016
(CURRENT ACCOUNT)

	Notes	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015	Net Change in Fund Balance
		B\$	B\$	B\$
Balance as at 1st July, 2015		(1,022,878,578)	(880,789,510)	142,089,068
Recurrent Revenue	(4)	1,989,232,268	1,728,477,096	(260,755,172)
Less: Refund of Revenue		-	-	-
Net Recurrent Revenue		1,989,232,268	1,728,477,096	(260,755,172)
Other Revenues & Transfers				
Transfers from Capital Account	(16)	51,508,216	52,597,069	1,088,853
Total Revenues		2,040,740,484	1,781,074,165	(259,666,319)
Sub-Total		1,017,861,906	900,284,655	(117,577,251)
Recurrent Expenditure	(5)	2,375,114,252	1,923,163,233	(451,951,019)
Balance as at 30 June 2016		(1,357,252,346)	(1,022,878,578)	334,373,768

ANNEX 5

STATEMENT OF CONSOLIDATED FUND (CAPITAL ACCOUNT)



**STATEMENT OF CHANGES IN CONSOLIDATED FUND BALANCES FOR YEAR
ENDED 30 JUNE 2016
(CAPITAL ACCOUNT)**

Notes	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015	Net Change in Fund Balance
	B\$	B\$	B\$
Balance as at 1st July, 2015	163,204,688	(33,118,152)	(196,322,840)
Financing Sources			
Proceeds from Stocks/Bonds (6)	87,310,000	275,000,000	(187,690,000)
Proceeds from US\$ Loan (Deutsche Bank) (6)	45,000,000	-	45,000,000
Proceeds from Credit Suisse Loan (6)	100,000,000	-	
Proceeds from Other Loans (6)	87,834,082	74,915,178	12,918,904
Proceeds from TNotes (6)	258,183,000	270,000,000	(11,817,000)
Proceeds From Grants (6)	111,100	382,492	(251,392)
Capital Revenue			
Other Capital Income (6)	57,334	3,053,430	(2,996,095)
Total Financing Sources & Capital Revenue	578,495,516	623,331,100	(144,835,583)
Sub-Total	741,700,204	590,212,948	151,487,256
Capital Development Expenditure			
Capital Development Expenditure (7)	158,904,736	258,107,079	(99,202,343)
Other Capital Expenditure (7)	76,062,831	23,164,164	52,898,667
Loans, Contributions and Advances to Government Corporations (7)	-	93,139,948	(93,139,948)
Total Capital Expenditure	234,967,567	374,411,191	(139,443,624)
Other Expenditure and Transfers			
Transfer to Current Account (16)	51,508,216	52,597,069	(1,088,853)
Total Capital Development Expenditure and Transfers	286,475,783	427,008,260	(140,532,477)
Balance as at 30 June 2016	455,224,421	163,204,688	(292,019,733)

the accompanying notes are an integral part of these financial statements

ANNEX 6

NOTES TO THE FINANCIAL STATEMENTS



THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016

1. Reporting Entity

The Financial Statements for the Commonwealth of the Bahamas are presented to Parliament annually and contain the following, the Statement of Financial Assets and Liabilities (Balance Sheet), the Statement of Revenue and Expenditure and the Statement of Cash Flows, along with other detail statements required by the Financial Administration and Audit Act (FAA Act 2010).

The main statements consist of the Statement of Financial Assets and Liabilities (Balance Sheet), the Statement of Revenue and Expenditure, the Statement of Cash Flow and the Statements of Changes in Fund Balances (Current and Capital Development Accounts). The statement of accounts has been replaced by the Statement of Revenue and Expenditure (recurrent & capital) since 2011. The Statement of Financial Assets and Liabilities (Balance Sheet) are inclusive of cash and cash equivalents including dishonoured cheques.

The other requirements under the FAA Act 2010 are supplementary and are shown in the notes.

The Financial Statements are prepared by the Public Treasury Department of the Commonwealth of the Bahamas and are governed by the Constitution, the FAA Act 2010 and the Financial Regulations 1975. It is a requirement under the Act to report against budget.

2. Summary of Significant Accounting Policies

All Revenues, Recurrent and Capital Expenditure flow through the Consolidated Fund of Government of the Commonwealth of the Bahamas.

The FAA Act 2010, requires that monies paid pending repayment or application to the purposes for which they were deposited be kept in an account styled "Deposits Fund Account".

Any net cash requirement of the Consolidated Fund is provided through the Government's traditional sources of financing, and borrowings in the financial markets.

Any grants from external sources are recorded under the appropriate category for which they were received.

Basis of preparation

The preparation of the financial statements is governed by the FAA Act 2010, using a form of modified cash basis and guided by International Public Sector Accounting Standards (IPSAS) cash basis. We however do not prepare consolidated statements and hence do not report on quasi-government entities. All quasi-government entities report individually to Parliament.

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

The modified cash basis applied recognizes revenue when received and not when earned, expenditure in the period it is incurred and paid and purchase of fixed assets including immovable property, plant and equipment is expensed fully in the year of purchase. In complying with the FAA Act 2010 the fixed assets acquired in the current year are included in the notes.

The financial assets of the Government are reported in the Statement of Financial Assets and Liabilities. The Act also requires a Statement of Cash Flows and a Statement of Revenue and Expenditure along with the Statement of Financial Assets and Liabilities which form the primary statements. The other statements required by the act are supplementary and shown in the notes.

Reporting currency

These statements are prepared in Bahamian dollars (B\$).

Foreign currency

Foreign currency transactions during the year are translated into local currency at the exchange rate at the date of the transaction.

Comparatives

To ensure consistency with current period and classification method adopted to make a fair presentation of financial information, comparative figures have been restated where appropriate.

Revenue

Revenue is levied through Parliament by way of imposing taxes, fees and charges. All such revenue collected through the relevant Ministries and Departments is recognized at the time of collection.

Revenue due but not collected are maintained in subsidiary records but they are not included in the financial statements until collected.

Expenses

Expenses are accounted for in the fiscal year that goods and services are paid.

Assets

All assets are expensed in the year they are purchased. However there is a separate capital statement that reports on all capital purchases during the year. A number of Agencies maintain an asset register either electronically or manually. Included in the notes is a list of fixed assets acquired during the period July 1, 2013 to June 30, 2014 as required by the FAA Act 2010.

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

Liabilities

Liabilities incurred at the end of the year are not accrued and not accounted for in the balance sheet, however in the subsequent year/s when it is paid.

Loans are not reported in the balance sheet however they are recorded and reported in the statement of Public Debt.

3. Budgetary Process

The Budget, as approved by the parliament and enacted by the Appropriation Acts provides the authority for recurrent and capital expenditure and indicated revenues for the fiscal year.

The authority for recurrent and capital expenditure lapses at the end of the fiscal year.

Further authority for recurrent and capital expenditure is provided by supplementary budgets, which are approved by Parliament.

4. Recurrent Revenue

These comprise of recurrent revenue by revenue category during this fiscal period.

Summary of Recurrent Revenue

HEAD	DESCRIPTION	ESTIMATED REVENUE 2015/2016	ACTUAL REVENUE 2015/2016	UNDER/(OVER) THE ESTIMATES
901	IMPORT AND EXPORT DUTIES	347,700,274	275,214,497	72,485,777
902	EXCISE TAX	299,320,000	231,194,309	68,125,691
903	PROPERTY TAX	151,217,375	103,740,554	47,476,821
904	MOTOR VEHICLE TAX	39,011,915	41,659,993	(2,648,078)
905	GAMING TAX	50,000,000	26,358,869	23,641,131
906	TOURISM TAX	141,052,647	135,257,318	5,795,329
907	STAMP TAX	97,430,248	100,032,826	(2,602,578)
908	COMPANY FEES	23,461,455	21,533,598	1,927,857
909	BANK AND TRUST COMPANY FEES	19,015,000	15,499,537	3,515,463
911	VALUE ADDED TAX	544,727,419	628,532,481	(83,805,062)
	TAX REVENUE SUB-TOTAL	1,712,936,333	1,579,023,983	133,912,350
919	FEES AND SERVICE CHARGES REVENUE FROM GOVERNMENT PROPERTY	281,373,260	317,405,543	(36,032,283)
920		18,704,884	19,390,227	(685,343)
921	INTEREST AND DIVIDENDS REIMBURSEMENT AND LOAN REPAYMENT	27,153,702	18,007,188	9,146,514
922		100,900	50,025,595	(49,924,695)
923	SERVICES OF A COMMERCIAL NATURE	6,589,775	5,379,733	1,210,042
	NON-TAX REVENUE SUB-TOTAL	333,922,521	410,208,286	(76,285,765)
	TOTAL REVENUE	2,046,858,854	1,989,232,268	57,626,586

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

Details regarding the recurrent revenue are contained in Annex 1 pages 2-30.

5. Recurrent Expenditure

These comprise of recurrent expenditure by Ministries and Departments during this fiscal period.

Summary of Recurrent Expenditure

HEAD	MINISTRY/DEPARTMENT	APPROVED	ACTUAL	UNDER/(OVER)	SUPP.
		ESTIMATES	EXPENDITURE	THE ESTIMATE	APPROP.
		2015/2016	2015/2016		AUTHORIZED
1	THE GOVERNOR GENERAL & STAFF	1,382,036	1,135,050	246,986	0
2	THE SENATE	252,615	226,837	25,778	0
3	THE HOUSE OF ASSEMBLY	2,072,569	1,976,367	96,202	0
4	THE DEPARTMENT OF THE AUDITOR-GENERAL	2,176,492	1,988,955	187,537	0
5	DEPARTMENT OF PUBLIC SERVICE	161,501,892	173,503,150	(12,001,258)	14,759,966
6	CABINET OFFICE	5,889,907	9,452,652	(3,562,745)	3,871,899
7	OFFICE OF THE ATTORNEY-GENERAL AND MINIS	13,632,561	16,933,958	(3,301,397)	4,000,687
8	JUDICIAL DEPARTMENT	15,634,093	13,182,847	2,451,246	700,000.00
9	COURT OF APPEAL	2,276,631	1,601,863	674,768	0
10	REGISTRAR-GENERAL'S DEPARTMENT	3,564,758	2,979,520	585,238	0
11	PRISON DEPARTMENT	26,413,527	24,802,714	1,610,813	296,527.44
12	PARLIAMENTARY REGISTRATION DEPARTMENT	1,057,264	2,149,030	(1,091,766)	1,245,214
13	MINISTRY OF FOREIGN AFFAIRS & IMMIGRATIO	29,623,118	26,598,757	3,024,361	0
14	OFFICE OF THE PRIME MINISTER	7,223,925	9,003,850	(1,779,925)	2,099,400
16	BAHAMAS INFORMATION SERVICES	1,844,598	2,124,565	(279,967)	323,295.00
17	GOVERNMENT PRINTING DEPARTMENT	1,756,923	1,671,720	85,203	0
18	DEPARTMENT OF LOCAL GOVERNMENT	22,443,870	21,664,142	779,728	533,247.86
19	DEPARTMENT OF PHYSICAL PLANNING	1,327,880	768,187	559,693	0
20	DEPARTMENT OF LANDS AND SURVEYS	1,897,345	1,553,730	343,615	0
21	MINISTRY OF FINANCE	132,216,219	141,919,096	(9,702,877)	31,200,720
22	TREASURY DEPARTMENT	483,344,726	645,350,449	(162,005,723)	170,900,569
23	CUSTOMS DEPARTMENT	29,395,942	25,491,357	3,904,585	
24	DEPARTMENT OF STATISTICS	3,485,923	2,916,239	569,684	0
28	Department of Inland Revenue	4,376,165	3,910,950	465,215	0
29	MINISTRY OF NATIONAL SECURITY	13,129,063	12,567,857	561,206	1,287,862
30	DEPARTMENT OF IMMIGRATION	17,245,158	15,356,790	1,888,368	100,000.00
31	ROYAL BAHAMAS POLICE FORCE	126,138,421	121,863,582	4,274,839	0
32	ROYAL BAHAMAS DEFENCE FORCE	60,042,323	52,256,229	7,786,094	0
33	MINISTRY OF PUBLIC WORKS & URBAN DEVELOP	75,357,499	137,920,609	(62,563,110)	83,655,000
34	DEPARTMENT OF PUBLIC WORKS	16,909,077	15,983,844	925,233	0
35	DEPARTMENT OF EDUCATION	182,909,004	195,539,309	(12,630,305)	13,857,359
37	DEPARTMENT OF ARCHIVES	748,870	612,412	136,458	0

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

SUMMARY OF RECURRENT EXPENDITURE (CONT'D)

HEAD	MINISTRY/DEPARTMENT	APPROVED	ACTUAL	UNDER/(OVER)	SUPP.
		ESTIMATES	EXPENDITURE	THE ESTIMATE	APPROP.
		2015/2016	2015/2016		AUTHORIZED
38	MINISTRY OF EDUCATION, SCIENCE AND TECHN	80,922,442	77,680,595	3,241,847	1,588,640
40	MINISTRY OF TRANSPORT & AVIATION	9,268,817	9,001,256	267,561	0
43	MINISTRY OF SOCIAL SERVICES	5,237,086	4,492,852	744,234	0
44	DEPARTMENT OF SOCIAL SERVICES	37,320,648	35,817,255	1,503,393	1,372,677
45	DEPARTMENT OF HOUSING	3,063,176	2,452,381	610,795	0
47	MINISTRY OF YOUTH, SPORTS & CULTURE	29,104,826	34,804,583	(5,699,757)	7,565,228
48	DEPARTMENT OF LABOUR	2,283,337	2,074,737	208,600	0
49	MINISTRY OF FINANCIAL SERVICES	2,472,935	2,114,957	357,978	200,000.00
51	POST OFFICE DEPARTMENT	7,315,279	6,908,712	406,567	0
52	Department Of Civil Aviation	15,995,910	14,413,001	1,582,909	256,000.00
53	PORT DEPARTMENT	4,323,332	3,897,988	425,344	0
54	DEPARTMENT OF ROAD TRAFFIC	4,472,972	4,225,306	247,666	0
55	Department Of Meteorology	1,915,625	1,805,689	109,936	149,799.15
56	MINISTRY OF AGRICULTURE, MARINE RESOURCE	18,305,085	19,680,326	(1,375,241)	2,124,612
57	Department Of Agriculture	6,210,907	5,268,947	941,960	0
58	DEPARTMENT OF MARINE RESOURCES	1,965,886	1,752,838	213,048	0
60	MINISTRY OF HEALTH	274,093,702	265,530,020	8,563,682	0
65	DEPARTMENT ENVIRONMENTAL HEALTH SERVICES	28,641,339	32,901,995	(4,260,656)	7,914,400
67	MINISTRY OF TOURISM	90,574,382	135,746,074	(45,171,692)	43,039,175
70	MINISTRY OF LABOUR & NATIONAL INSURANCE	3,714,679	3,579,151	135,528	144,946.77
72	MINISTRY OF THE ENVIRONMENT & HOUSING	6,150,733	11,509,599	(5,358,866)	6,222,868
73	DEPARTMENT OF INFORMATION TECHNOLOGY	2,782,415	2,578,905	203,510	0
74	MINISTRY FOR GRAND BAHAMA	14,958,863	11,870,467	3,088,396	604,000.00
TOTAL RECURRENT EXPENDITURE.....		2,098,364,770	2,375,114,252	(276,749,482)	400,016,391

Details by head and line item are shown in Appendix 1 pages 33-574

6. Borrowings, Grants and Other Capital Income

During the year under review Borrowings, Grants and Other Capital Revenue in the total amount of \$578,495,516 were obtained from the following sources:

Proceeds from Stocks/Bonds	\$ 87,310,000
Proceeds from US\$ Loan (Deutsche Bank)	\$ 45,000,000
Proceeds from Credit Suisse Loan	\$100,000,000
Proceeds from Other Loans	\$ 87,834,082
Proceeds from TNotes	<u>\$258,183,000</u>
Total Proceeds from Borrowings	<u>\$578,327,082</u>
Proceeds from Grants	\$ 111,100
Proceeds from Sale of Govt Assets	<u>\$ 57,334</u>
Total Borrowings, Grants & Other Capital Income	<u>\$578,495,516</u>

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

Details are shown in Annex 1 pages 607- 609.

7. Capital Acquisitions

These comprise of major capital acquisitions and capital development works during this fiscal period. Other Capital Outlays comprise of loans, contributions and advances to Corporations.

Summary of Capital Acquisitions, Development and Capital Outlays

HEAD	MINISTRY/DEPARTMENT	APPROVED ESTIMATES 2015/2016	ACTUAL EXPENDITURE 2015/2016	UNDER/(OVER) THE ESTIMATE	SUPP. APPROP. AUTHORIZED
21	SUNDRY CAPITAL EXPENDITURE	63,100,000	66,667,353	(3,567,353)	48,640,631
32	ROYAL BAHAMAS DEFENCE FORCE	47,600,000	30,519,598	17,080,402	128,646,475
33	MINISTRY OF WORKS & URBAN DEVELOPMENT	111,964,388	107,094,537	4,869,851	0
38	MINISTRY OF EDUCATION, SCIENCE & TECHNOL	19,450,000	30,686,079	(11,236,079)	0
TOTAL CAPITAL EXPENDITURE		242,114,388	234,967,567	7,146,821	177,287,106

Details by head and line item are shown in Annex 1 pages 579-605.

8. Treasury Bills

Treasury Bills are short term debt obligation backed by the Bahamas Government with a maturity of less than one year. It's governed by the section 17 of the Financial Administration and Audit Act. These T-Bills are issued through a competitive bidding process at a discount from par. The management of the process is handled by the Central Bank of the Bahamas and issuance of the paper is carried out by the Treasury Department. As at 30 June 2016, TBills outstanding was \$599,281,900.

Treasury Bills Account for year ended 30th June 2016

Outstanding TBills as at 1st July 2015	\$579,281,900
Amount Redeemed	(\$2,258,838,800)
Amount Issued	\$2,278,838,800
	\$20,000,000
Outstanding TBills as at 30th June 2016	\$599,281,900

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

9. Central Bank of the Bahamas Advances

In accordance with the Central Bank of the Bahamas Act 351 section 28, the Bank may make temporary advances to the Government on such terms and conditions which may be agreed between the Minister and the Bank. Every such advance must be paid as soon as possible and any amount of such advances at any one time shall not exceed ten percent (10%) of the average ordinary revenue or ten percent (10%) of the estimated ordinary revenue of the Government, whichever is less.

As at 30 June 2016, the amount outstanding was \$134,657,052 as delineated below:

Issue Date	Principal Outstanding	Interest Rate
5/8/2011	5,587,608	0.8408%
28/09/2011	20,000,000	0.6380%
12/11/2013	69,444	0.3560%
15/11/2013	19,000,000	0.3560%
5/2/2014	10,000,000	0.3948%
21/02/2014	10,000,000	0.3948%
25/02/2014	10,000,000	0.5540%
28/04/2014	30,000,000	0.5540%
29/04/2014	10,000,000	0.5540%
30/04/2014	10,000,000	0.5540%
24/06/2014	5,000,000	0.5116%
21/07/2014	5,000,000	0.5116%
Total	<u>134,657,052</u>	

10. Advances from Other Financial Institutions.

The Government of the Bahamas maintains an overdraft facility at the Royal Bank of Canada under the authority of Section 17 of the FAA Act. This facility has an approved limit of \$100million. Overdraft interest of prime (4.75%) is applied to the net balance of the consolidated total of Central Government Consolidated Fund and Deposit Fund bank accounts lodged with the Royal Bank of Canada in accordance with the agreement.

As of 30 June 2016, the consolidated total/net balance was \$145,366,409.

THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016

11. Cash and Bank Balances- (Consolidated Fund)

	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015
Bank of the Bahamas	185,213,181	90,081,460
Central Bank of the Bahamas	98,718,587	72,515,733
Bank Imprest Ministries & Departments	1,181,500	1,181,500
Foreign Banks	372,825	34,711,188
Family Island Bank Accounts	5,653,379	5,689,221
Royal Bank	<u>13,871,965</u>	<u>66,120,287</u>
Sub-Total	<u>305,011,436</u>	<u>270,299,390</u>
Royal Bank	<u>(275,006,256)</u>	<u>(246,312,342)</u>
Total Cash and Bank Balances	<u><u>30,005,180</u></u>	<u><u>23,987,047</u></u>

12. Salary Deductions

This amount of \$25,792,118.09 represents amounts deducted from central government employees' salary with respect to employees' obligations either mandatory or voluntary to third parties for the month of June 2016 and paid in July 2016.

13. Other Short term Advances and Depository Liabilities

a) The amount of \$28,856,797 advanced is as delineated below:

	As at 30-Jun-2016	As at 30-Jun-2015
	\$	\$
Family Islands	3,575,140	3,401,499
Ministries & Departments	10,696,479	9,125,897
Deposits Fund	13,544,945	9,698,500
Miscellaneous	<u>1,040,233</u>	<u>999,336</u>
Total Advances	<u><u>28,856,797</u></u>	<u><u>23,225,232</u></u>

THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
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b) The other short term depository liabilities of \$211,118,885 is as delineated below:

	As at 30-Jun-2016	As at 30-Jun-2015
	\$	\$
Contingency Deposits	44,017,910	40,427,999
Sinking Fund Deposits	91,621,605	69,555,121
Unclaimed Cheques	60,381,322	43,993,916
Miscellaneous	14,257,961	37,072,809
Ministries & Departments	840,087	840,087
	211,118,885	191,889,931

14. Public Debt

The Public Debt is the Government's liabilities and under the present basis of preparation the long term portion of the debt of \$5,106,738,698 is not recorded in the primary financial statements. However in keeping with the FAA Act 2010 Section 323 (f), a statement of public debt showing several amounts of the loans issued is shown in the supplementary disclosure.

A summarized schedule of public debt totaling \$5,986,044,058 including the Bahamas Government overdraft of \$145,366,409 as at June 30, 2016 is delineated below:

LOAN DESCRIPTION	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/15	AMOUNT OUTSTANDING AS AT 30/06/15	AMOUNT OUTSTANDING AS AT 30/06/16	NET INCREASE/ (DECREASE)
Bahamas Government registered Stock	3,400,272,700	3,400,272,700	125,000,000	454,800,000	2,885,472,700	2,820,472,700	(65,000,000)
Bahamas Government stock	302,310,000	277,310,000	0	0	277,310,000	277,310,000	0
Bahamas Government treasury Notes	258,183,000	258,183,000	4,134,000	0	0	254,049,000	254,049,000

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

LOAN DESCRIPTION	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/15	AMOUNT OUTSTANDING AS AT 30/06/15	AMOUNT OUTSTANDING AS AT 30/06/16	NET INCREASE/ (DECREASE)
Loans Syndicated and payable - Bahamian Dollars	278,245,714	272,713,606	85,000,000	25,000,000	245,245,714	162,713,606	(82,532,108)
Loans & Bonds syndicated and payable in US Dollars & Other Currencies	1,928,563,750	1,701,310,460	28,462,627	89,640,081	1,611,683,577	1,592,193,392	(19,490,185)
Sub-Total	6,167,575,164	5,918,792,766	242,596,627	5,569,440,081	5,019,711,991	5,106,738,698	87,026,707
Short term Debt securities	873,938,952	919,305,361	40,000,000	0	800,452,882	879,305,361	78,852,479
Sinking Funds			8,232,007	51,046,340			
Total	7,041,514,116	6,838,098,126	290,828,634	620,486,421	5,820,164,872	5,986,044,058	165,879,186

15. Contingent Liabilities

The contingent liability portfolio consists of loans made by quasi government institutions and guaranteed by the Government. A summarized schedule of the Contingent Liabilities totaling \$842,496,882 is delineated below: A statement of the contingent liabilities showing several amounts are shown in the supplementary disclosures.

LOANS	AMOUNT OF LOAN AUTHORIZED BY LEGISLATURE	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016
1) BAHAMAS DVLPMNT. BK.	50,000,000	50,000,000	0	50,000,000	50,000,000
2) BAHAMAS ELECTRICITY CORP.	246,000,000	246,000,000	9,225,000	246,000,000	236,775,000
3) CLIFTON HERITAGE	24,000,000	24,000,000	0	24,000,000	24,000,000
4) THE BRIDGE AUTHORITY	23,000,000	23,000,000	0	23,000,000	23,000,000
5) THE EDUC. LOAN AUTHORITY	67,000,000	67,000,000	0	67,000,000	67,000,000

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

LOANS	AMOUNT OF LOAN AUTHORIZED BY LEGISLATURE	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016
8) WATER & SEWERAGE CORP.	95,000,000	70,565,031	6,579,002	57,795,088	63,986,029
9) PRIVATE SECTOR GUARANTEED DEBT	12,095,693	12,095,693	2,173,919	9,232,460	9,921,774
10) BAHAMAS RESOLVE LTD	100,000,000	100,000,000			100,000,000
TOTAL	917,095,693	865,660,725	23,163,843	721,125,048	842,496,882

16. Inter-Account Transfers

During the year in review \$10,000,000 was raised via Bahamas Government Registered Stock, \$145,000,000, proceeds from Loans from Foreign Banks, \$77,310,000 was raised via Bahamas Government Stocks, \$258,183,000 via TNotes and drawdowns of \$87,834,082 on existing loans from which \$51,508,216 was transferred from the Consolidated Fund Capital Account to the Consolidated Fund Current Account to cover the budget deficit.

17. Fixed Deposits

Sinking Funds together with related Fixed Deposits have been established to facilitate periodic deposits from the Consolidated Fund in connection with the redemption of various Bonds which have been issued by the government. At 30 June 2016 the balances on the Fixed Deposits were as follows:

	\$	\$
<u>CENTRAL BANK</u>		
US\$ 200 million Bond (2003-2033)	60,229,615	
US\$ 100 million Bond (2008-2038)	23,464,405	
Balance at 30 June 2016	_____	83,693,020
<u>BANK OF THE BAHAMAS</u>		
B\$ 24 million Bond- Re: Clifton Heritage	8,084,197	
Balance at 30 June 2016	_____	8,084,197
Total Fixed Deposits related to Sinking Funds	_____	<u>91,777,217</u>

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

BANK OF THE BAHAMAS

Fixed Deposits (Consolidated Fund)	109,757,586
Total Fixed Deposits at Bank of Bahamas	117,841,782

18. Dishonoured Cheques

A record is maintained of cheques received from the general public and other sources which were subsequently dishonoured by the drawee bank and are carried on the books until these cheques are honoured or approval is obtained for write-off.

19. Fixed Assets

The Financial Administration and Audit act 2010 now require a statement of fixed assets of the Government acquired during the financial year.

	\$
Land	5,066,251
Infrastructure	67,285,639
Buildings & improvement	54,091,119
Transportation	8,637,931
Machinery & equipment	1,445,165
Furniture & fixtures	19,440,879
Computerization	2,937,752
TOTAL	158,904,736

20. Government Corporations and Autonomous Agencies

There are a number of wholly owned Government Corporations namely;

Entity	Percentage (&) of ownership
a) Bahamas Electricity Corporation	100
b) The Water and Sewerage Corporation	100
c) Broadcasting Corporation of the Bahamas	100
d) Bahamasair Company Limited	100
e) The Hotel Corporation	100
f) Bahamas Mortgage Corporation	100
g) Bahamas Agricultural & Industrial Corporation	100

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

There are a number of Government Authorities mainly,

a) Airport Authority	100
b) Bahamas Maritime Authority	100
c) Public Hospitals Authority	100
d) The Bridge Authority	100
e) Education Loan Authority	100
f) National Sports Authority	100
g) Beaches & Parks Authority	100

Entities that the Government has part ownership;

a) Arawak Port Development	40
b) Bahamas Telecommunication Company Limited	49
c) Bank of the Bahamas	51

Other autonomous entities;

a) Bahamas Development Bank	100
b) Central Bank of the Bahamas	100
c) Nassau Flight Services	100
d) Utilities and Regulatory Authority	100
e) Insurance Commission	100
f) Bahamas Securities Commission	100

21. Deposit Fund Account

The Public Treasury has the fiduciary responsibility for the maintenance of a Deposit Fund Account as per FAA Act 2010.

Sections 15 &16 provides for the establishment of a Deposit Fund Account into which monies are deposited pending repayment or application to the purposes for which they were deposited.

Additionally section 15 sub-section (2) of the FAA Act 2010 provides authority for the Minister to make advances from the monies deposited.

As at 30th June 2016, the fund balance of the Deposits Fund is \$89,857,955.

Details are shown in the supplementary disclosure.

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

22. Cash and Bank Balances- Deposits Fund

As at June 30, 2016, the Cash & Bank Balances were \$88,803,953 as delineated below:

	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015
<u>Deposits Fund</u>		
Bank of the Bahamas	8,250,246	8,089,917
Central Bank of the Bahamas	0	0
Royal Bank	69,998,617	53,105,919
Family Island Bank Accounts	10,555,090	9,942,145
Total Cash and Bank Balances Deposits Fund	88,803,953	71,137,981

23. Sinking Fund/ Fixed Deposit

A Debenture (1963-2023) in the amount of €86,000 pounds sterling which equated to \$245,714 was issued in 1963 for the purchase of the Harcourt Malcolm Building (Re: Harcourt Malcolm Purchase Act 1963). A Sinking Fund together with its related Fixed Deposit has been established to facilitate periodic deposits from the Consolidated Fund in connection with the redemption of this Debenture which has been issued by the government. At 30 June 2016 the balance on the Fixed Deposit was \$223,402.

24. Investments- Deposits Fund

This investment of \$47,800 represents a bequest by Mr. W. G. Elmslie to the Bahamas Government of which the interest is to be used towards the maintenance of the clinic in West Grand Bahama. As at June 30th 2016, the interest earned and not used is \$88,577.

25. Public Officers' Loan

The Public Officers' Loan Fund was established to assist Public Officers with urgent / unexpected medical expenses, to pursue additional academic qualifications and for the purchase of vehicles in accordance with General Orders No: 1250.

These loans/advances are granted by the Minister as per Section 15 Sub-section 2 (d) of the Financial Administration and Audit Act 2010 and paid from the Deposit Fund Account. These loans/advances attract interest at the prime rate. The amounts outstanding as at June 30, 2015 and June 30, 2016 are \$1,125,389 and \$1,192,570. respectively.

Statement of Public Officers' Loan Fund is shown in the supplementary disclosures.

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

26. Post Office Savings Bank Fund (Chapter 315 Section 11)

These funds represent monies deposited in the Treasury and are invested on behalf of the Post Office Savings Bank in accordance with section 11 of the Savings Bank Act.

As of 30 June 2016, the total of monies held on behalf of the Post Office Savings Bank was \$ 8,371,411 and is invested as shown below.

	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015
<u>Post Office Savings Bank (POSB)</u>		
Royal Bank	541,308	374,310
Bank of the Bahamas	4,640,103	4,543,901
Bahamas Government Registered Stock	3,190,000	3,190,000
Total Cash and Bank Balances POSB	<u>8,371,411</u>	<u>8,108,211</u>

27. Confiscated Asset Fund

The Confiscated Asset Fund Statements are presented under separate cover in accordance with the Proceeds from Crime Act and therefore are not included in these Statements. The assets of the said fund are under management of the Minister of Finance and as at 30 June 2016, the balance of the fund was \$2,018,882.

28. Inactive and Dormant Accounts Amounts

The inactive and dormant account amounts which are shown below and which were included in the Cash and Bank, the Current Account and the Deposit Fund Account Balances have been written off in accordance Section 25 of the Financial Administration and Audit Act 2010 and the Dormant and Inactive Accounts Regulations 2013. The Inactive and Dormant Accounts write-off has been approved by the Cabinet September 15, 2015.

SUMMARY OF INACTIVE AND DORMANT ACCOUNTS/ AMOUNTS WRITTEN-OFF		
CASHBOOK ACCOUNTS		(3,849,512.91)
<u>SUMMARY OF ADVANCES AND DEPOSIT ACCOUNTS TO BE WRITTEN OFF</u>		
-		
ADVANCES AMOUNTS	10,466,130.59	
DEPOSIT AMOUNTS	(6,629,447.52)	3,836,683.07
NET WRITE-OFF		<u>(12,829.84)</u>

ANNEX 7

STATEMENT OF PUBLIC DEBT



GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/15	AMOUNT OUTSTANDING AS AT 30/06/15	AMOUNT OUTSTANDING AS AT 30/06/16	NET INCREASE/ (DECREASE)
1 Bahamas Government Registered Stock			3,400,272,700	3,400,272,700	125,000,000	454,800,000	2,885,472,700	2,820,472,700	(65,000,000)
2 Bahamas Government Stock			302,310,000	277,310,000	0	0	277,310,000	277,310,000	0
3 Bahamas Government Treasury Notes			258,183,000	258,183,000	4,134,000	0	0	254,049,000	254,049,000
4 Loans Syndicated and payable - Bahamian Dollars			278,245,714	272,713,606	85,000,000	25,000,000	245,245,714	162,713,606	(82,532,108)
5 Loans & Bonds Syndicated and payable in US Dollars & Other Currencies			1,928,563,750	1,710,313,460	28,462,627	89,640,081	1,611,683,577	1,592,193,392	(19,490,185)
Sub-Total			6,167,575,164	5,918,792,766	242,596,627	569,440,081	5,019,711,991	5,106,738,698	87,026,707
6 Short term Debt Securities			873,938,952	919,305,361	40,000,000	0	800,452,882	879,305,361	78,852,479
7 Sinking Funds					8,232,007	51,046,340			
Total			7,041,514,116	6,838,098,126	290,828,634	620,486,421	5,820,164,872	5,986,044,058	165,879,186

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
1. \$25.0m Treasury Stock (8/10/87) (7 3/4% & 8 3/4%) Maturing 1996 & 2012	1987	1996/2012	25,000,000	25,000,000	0	25,000,000	0	0	Resolution of the House of Assembly dated Dec. 23, 1986
2. \$45.0m Treasury Stock (1/2.5/8, 7/8, 1 1/16, 1 3/16, 1 1/4 % above prime) (23/9/96) Maturing 2004, 2016,	1996	2004/2016	45,000,000	45,000,000	10,000,000	25,000,000	20,000,000	10,000,000	Resolution of the House of Assembly dated June 13, 1996
3. \$30.0M Treasury Stock (08/2/97) (1 1/8, 1 7/8% above prime) 2015 & 2016	1997	2015/2016	30,000,000	30,000,000	15,000,000	15,000,000	15,000,000	0	Resolution of the House of Assembly dated June 13, 1996
4. \$35.0m Treasury Stock (8%, 8 1/2% & 9%) (15/3/88) Maturing 1993, 1998 & 2013	1988	1993/2013	35,000,000	35,000,000	0	35,000,000	0	0	Resolution of the House of Assembly dated Dec. 17, 1987

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
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LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
5 \$47.0m Treasury Stock (24/8/93) (5/8, 11/16, 3/4% above prime) Maturing 2010, 2011 & 2012	1993	2010/2012	47,000,000	47,000,000	0	47,000,000	0	0	Resolution of the House of Assembly dated Dec. 9, 1993
6 \$65.0M Treasury stock (5 3/4%, 5 7/8%, 6%, & 6 5/8) (20/09/94) Maturing 2007, 2008, 2009 & 2014	1994	2007/2014	65,000,000	65,000,000	0	65,000,000	0	0	Resolution of the House of Assembly dated June 16, 1994
7 \$25.0m Treasury Stock (18/05/95) (1% above prime) Maturing 2013	1995	2013	25,000,000	25,000,000	0	25,000,000	0	0	Resolution of the House of Assembly dated June 16, 1994
8 \$30.0m Treasury Stock (26/2/96) (7/8, 1 1/16, 1 1/8% above prime) Maturing 2010, 2013 & 2014	1996	2010/2014	30,000,000	30,000,000	0	30,000,000	0	0	Resolution of the House of Assembly dated June 15, 1995

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LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
9 \$40.0m Treasury Stock (13/06/96) (1 1/16, 1 1/8, 1 3/16, 1 1/4 % above prime) 2014, 2015, 2016 & 2017	1996	2014/2017	40,000,000	40,000,000	10,000,000	20,000,000	20,000,000	10,000,000	Resolution of the House of Assembly dated June 15, 1995
10 \$50.0m Treasury Stock (15/07/97) (17/32%, 9/16%, 19/32%, 5/8% above prime) maturing 2014, 2017	1997	2014/2017	50,000,000	50,000,000	10,000,000	10,000,000	40,000,000	30,000,000	Resolution of the House of Assembly dated June 16, 1997
11 \$50.0m Treasury Stock (15/10/97) (1 1/8%, 1 3/16%, 1 1/4% above prime rate) maturing 2015, 2016 & 2017	1997	2015/2017	50,000,000	50,000,000	15,000,000	0	50,000,000	35,000,000	Resolution of the House of Assembly dated June 16, 1997
12 \$21.0m Treasury Stock (08/4/98) (7/16%, & 1/2% above prime rate) Maturing 2012 & 2014	1998	2012/2014	21,000,000	21,000,000	0	21,000,000	0	0	Resolution of the House of Assembly dated June 16, 2014

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BAHAMAS GOVT REGISTERED STOCK									
13 \$50.0m Treasury Stock (10/8/98) (3/8%, 15/32%, 9/16% & 19/32% above prime rate) Maturing 2011, 2014 2017, & 2018	1998	2011/2018	50,000,000	50,000,000	0	20,000,000	30,000,000	30,000,000	Resolution of the House of Assembly dated June 15, 1998
14 \$26.0m Treasury Stock (26/2/99) (7/32%, 5/16% & 9/16% above prime rate) Maturing 2007, 2010, 2018	1999	2007/2018	26,000,000	26,000,000	0	16,000,000	10,000,000	10,000,000	Resolution of the House of Assembly dated June 15, 1998
15 \$30.0m Treasury Stock (9/32%, 5/16%, & 19/32% above prime rate) Maturing 2008, 2009 & 2018	1998	2008/2018	30,000,000	30,000,000	0	20,000,000	10,000,000	10,000,000	Resolution of the House of Assembly dated June 15, 1998
16 \$50.0m Treasury Stock (21/7/99) (7/32%, 9/32%, 3/8%, 7/16, 15/32% above prime rate) Maturing 2011, 2013, 2016,	1999	2011/2019	50,000,000	50,000,000	0	20,000,000	30,000,000	30,000,000	Resolution of the House of Assembly dated June 16, 1999

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BAHAMAS GOVT REGISTERED STOCK									
17 \$28.0m Treasury Stock (15/11/99) (3/8%, 7/16% & 15/32% above prime rate) Maturing 2016, 2018 & 2019	1999	2016/2019	28,000,000	28,000,000	0	0	28,000,000	28,000,000	Resolution of the House of Assembly dated June 16, 1999
18 \$30.0M Treasury Stock (21/09/00) (7/16%, 15/32%, 1/2% above prime rate) Maturing 2018, 2019 & 2020	2000	2018/2020	30,000,000	30,000,000	0	0	30,000,000	30,000,000	Resolution of the House of Assembly dated June 16, 2000
19 \$25.8M Treasury Stock (27/10/00) (9/32%, 15/32%, & 1/2% above prime rate) Maturing 2013, 2019, & 2020	2000	2013/2020	25,800,000	25,800,000	0	5,800,000	20,000,000	20,000,000	Resolution of the House of Assembly dated June 19, 2000
20 \$34.3M Treasury Stock (30/07/01) (1/2%, 17/32%, & 9/16% above prime rate) Maturing 2019, 2020 & 2021	2001	2019/2021	34,300,000	34,300,000	0	0	34,300,000	34,300,000	Resolution of the House of Assembly dated June 20, 2001
21 \$40.9478M Treasury Stock (12/12/01) 15/32, 1/2, 17/32, 9/16 Maturing 2018-2021	2001	2018/2021	40,947,800	40,947,800	0	0	40,947,800	40,947,800	Resolution of the House of Assembly dated Dec. 10, 2001

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BAHAMAS GOVT REGISTERED STOCK									
22 \$20.465M Treasury Stock (26/04/02) (17/32% & 9/16 APR) Maturing 2020 & 2021	2002	2020/2021	20,465,000	20,465,000	0	0	20,465,000	20,465,000	Resolution of the House of Assembly dated June 6, 2001
23 \$60.0M Treasury Stock (23/08/02) (1/4, 5/16, 11/32, 3/8, 11/32 APR) Maturing 2017, 2022	2002	2017/2022	60,000,000	60,000,000	0	0	60,000,000	60,000,000	Resolution of the House of Assembly dated June 19, 2002
24 \$65.0M Treasury Stock (04/12/02) (3/16, 11/32, 3/8, 13/32 APR) Maturing 2015, 2020, 2021 & 2022	2002	2015/2022	65,000,000	65,000,000	15,000,000	0	65,000,000	50,000,000	Resolution of the House of Assembly dated June 19, 2002
25 \$61.1M Treasury Stock (08/04/03)(1/4, 5/16, 11/32, 3/8) Maturing 2019, 2021, 2022 & 2023	2003	2019/2023	61,100,000	61,100,000	0	0	61,100,000	61,100,000	Resolution of the House of Assembly dated June 19, 2002

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LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
26 \$75.0M Treasury Stock (21/07/03)(3/32, 3/16, 11/32, 3/8) Maturing 2014, 2017, 2022 & 2023	2003	2014/2023	75,000,000	75,000,000	0	15,000,000	60,000,000	60,000,000	Resolution of the House of Assembly dated June 20, 2003
27 \$23.2898M Treasury Stock (09/02/04) (11/32, 3/8) Maturing 2023-2024	2004	2023/2024	23,289,800	23,289,800	0	0	23,289,800	23,289,800	Resolution of the House of Assembly dated June 18, 2004
28 \$100.0m Treasury Stock (29/07/04)(1/32, /13, , 1/8, 3/16, 7/32, 1/4%, 9/32%, 5/16%) Maturing 2015,2016,2018,2021,2022,2023 & 2024	2004	2015/2024	100,000,000	100,000,000	10,000,000	0	100,000,000	90,000,000	Resolution of the House of Assembly dated June 18, 2004
29 \$100.0M Treasury Stock (22/10/04)(1/32, 1/16, 3/32, 5/32, 1/4, 9/32, 5/16) Maturing 2015,2016,2017,2019,2022,2023,2024	2004	2015/2024	100,000,000	100,000,000	10,000,000	0	100,000,000	90,000,000	Resolution of the House of Assembly dated June 18, 2004

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BAHAMAS GOVT REGISTERED STOCK									
30 \$40.0M Treasury Stock (27/04/05) (7/5/32, 1/4, 9/32, 5/16) Maturing 2022-2025	2005	2022/2025	40,000,000	40,000,000	0	0	40,000,000	40,000,000	Resolution of the House of Assembly dated April 27, 2005
31 \$40.4666M Treasury Stock (28/06/05) (28/06/05) (1/8, 1/4, 9/32) Maturing 2020, 2024 & 2025	2005	2020/2025	40,466,600	40,466,600	0	0	40,466,600	40,466,600	Resolution of the House of Assembly dated July 8, 2005
32 \$75.0M Treasury Stock (07/09/05)(5/32, 3/16, 7/32, 1/4, 9/32) Maturing 2021-2025	2005	2021/2025	75,000,000	75,000,000	0	0	75,000,000	75,000,000	Resolution of the House of Assembly dated June 20, 2005
33 \$75.0M Treasury Stock (18/01/06)(5/32, 1/4, 9/32, 5/16) Maturing 2021, 2024, 2025 & 2026	2006	2021/2026	75,000,000	75,000,000	0	0	75,000,000	75,000,000	Resolution of the House of Assembly dated June 20, 2005
34 \$25.894M Treasury Stock (30/06/05) (3/8) Maturing 2025	2005	2025	25,894,200	25,894,200	0	0	25,894,200	25,894,200	Resolution of the House of Assembly dated June 20, 2005

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BAHAMAS GOVT REGISTERED STOCK									
35 \$51.645M Treasury Stock (04/05/06)(1/4, 9/32, 5/16) Maturing 2024-2026	2006	2024/2026	51,645,000	51,645,000	0	0	51,645,000	51,645,000	Resolution of the House of Assembly dated June 20, 2005
36 \$100M Treasury Stock (22/09/06) 5/32%, 3/16%, 7/32%, 1/4%, 9/32% Maturing 2021, 2022, 2023, 2024, 2025 & 2026	2006	2021/2026	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly dated June 21, 2006
37 \$50M Treasury Stock (28/03/07)(9/32, 5/16) Maturing 2026 & 2027	2007	2026/2027	50,000,000	50,000,000	0	0	50,000,000	50,000,000	Resolution of the House of Assembly dated June 21, 2006
38 \$45.284M Treasury Stock (09/05/07)(5/16) Maturing 2027	2007	2027	45,284,000	45,284,000	0	0	45,284,000	45,284,000	Resolution of the House of Assembly dated June 21, 2006
39 \$100M Treasury Stock (26/07/07) 5/16%, 9/16%, 5/8% Maturing 2027, 2035 & 2037	2007	2027/2037	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly dated June 14, 2007

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LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
40 \$35M Treasury Stock (08/10/07) 5/16%, 11/32%, 3/8% Maturing 2027, 2028 & 2029	2007	2027/2029	35,000,000	35,000,000	0	0	35,000,000	35,000,000	Resolution of the House of Assembly dated June 21, 2006
41 \$31.5009M Treasury Stock (28/11/07) 1/32%, 3/32%, 5/16%, 13/32% Maturing 2018, 2020, 2027 & 2030	2007	2018/2030	31,500,900	31,500,900	0	0	31,500,900	31,500,900	Resolution of the House of Assembly dated June 21, 2006
42 \$100M Treasury Stock (22/09/08) 9/32%, 5/16%, 11/32%, 3/8%, 13/32%, 7/16% Maturing 2028, 2029, 2030, 2031, 2032 & 2033	2008	2028/2033	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly dated June 12, 2008
43 \$107.226M Treasury Stock (06/01/09) 1/4%, 9/32%, 5/16%, 11/32% Maturing 2028, 2029, 2030, 2031, 2032 & 2033	2008	2028/2033	107,226,000	107,226,000	0	0	107,226,000	107,226,000	Resolution of the House of Assembly dated June 14, 2007

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LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
44 \$150M Treasury Stock (27/08/09) 1/8%, 9/64%, 5/32%, 11/64%, 3/16%, 13/64%, 7/32%,	2009	2028/2030	150,000,000	150,000,000	0	0	150,000,000	150,000,000	Resolution of the House of Assembly dated June 17, 2009
45 \$59,7243M Treasury Stock (26/04/10) 1/12%, 3/32%, 5/48% Maturing 2028, 2029 & 2030	2010	2028/2030	59,724,300	59,724,300	0	0	59,724,300	59,724,300	Resolution of the House of Assembly dated June 17, 2009
46 \$100M Treasury Stock (26/07/10) 1/2%, 11/96%, 3/32%, 7/48%, 17/96% Maturing 2028, 2029, 2031, 2034 & 2037	2010	2028/2037	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly dated June 10, 2010
47 \$100M Treasury Stock (19/10/10) 5.5%/ 1/48%, 1/24%, 5/32%	2010	2015/2030	100,000,000	100,000,000	30,000,000	0	100,000,000	70,000,000	Resolution of the House of Assembly dated June 10, 2010

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BAHAMAS GOVT REGISTERED STOCK									
48 \$34,993,200 Treasury Stock (10/12/10) 11/96%, 1/8%, 13/96%, 7/8% Maturing 2026,2027,2028 & 2029	2010	2026/2029	34,993,200	34,993,200	0	0	34,993,200	34,993,200	Resolution of the House of Assembly dated June 10, 2010
49 \$100M Treasury Stock (15/08/11) Maturing 2016, 2018, 2020, 2026, 2028, 2032	2011	2016/2032	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly dated June 9, 2011
50 \$60M Treasury Stock (10/11/11) 1/64%, 1/32%, 5/64%, 3/32% Maturing 2016,2018,2020,2026,2028	2011	2016/2028	60,000,000	60,000,000	0	0	60,000,000	60,000,000	Resolution of the House of Assembly dated June 9, 2011
51 \$10,635,900 Treasury Stock (26/06/12) 1/64%, 3/128%, 1/32% Maturing 2017,2018,2020,2021,2022,2027,2029,2030 & 2031	2012	2019/2021	10,635,900	10,635,900	0	0	10,635,900	10,635,900	Resolution of the House of Assembly dated June 26, 2012

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BAHAMAS GOVT REGISTERED STOCK									
52 \$200M Treasury Stock (16/07/12) 4%, 4 1/40%, 4 3/40%, 4 1/10%, 4 1/8%, 4 1/4%, 4 3/10% & 4 7/20%, Maturing 2017, 2018, 2020, 2021, 2022, 2027, 2029, 2030 & 2031	2012	2017/2031	200,000,000	200,000,000	0	0	200,000,000	200,000,000	Resolution of the House of Assembly dated June 14, 2012
53 \$100M Treasury Stock (25/09/12) 3/256%, 3/128%, 11/256%, 7/128%, 1/16% Maturing 2016, 2019, 2022, 2027, 2030, 2032	2012	2016/2032	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly dated June 14, 2012
54 \$25M Treasury Stock (29/10/12) 15/256%, 1/16% Maturing 2031, 2032	2012	2031/2032	25,000,000	25,000,000	0	0	25,000,000	25,000,000	Resolution of the House of Assembly dated Oct 29, 2012
55 \$50M Treasury Stock (17/04/2013) 7.128%, 15/256%, 1/16% Maturing 2031, 2032, 2033.	2013	2031/2033	50,000,000	50,000,000	0	0	50,000,000	50,000,000	Resolution of the House of Assembly dated Mar. 18, 2013

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56 \$70M Treasury Stock (26/07/2013) 3.256% 7.256%, 5.128%, 3.64%, 7.128%, 1.16%, 9.128% Maturing 2020, 2024, 2029, 2031, 2033, 2034	2013	2020/2034	70,000,000	70,000,000	0	0	70,000,000	70,000,000	Resolution of the House of Assembly June 2013
57 \$45M Treasury Stock (23/09/2013) 7.128%, 15/256%, 1.16% Maturing 2031, 2032, 2033	2013	2031/2033	45,000,000	45,000,000	0	0	45,000,000	45,000,000	Resolution of the House of Assembly June 2013
58 \$20M Treasury Stock (03/10/2014) Maturing 2016	2014	2016	20,000,000	20,000,000	0	0	20,000,000	20,000,000	Resolution of the House of Assembly 2014
59 \$35.0M Treasury Stock (30/10/14) Maturing 2019,2020,2021	2014	2019/2021	35,000,000	35,000,000	0	25,000,000	10,000,000	10,000,000	Resolution of the House of Assembly 2014
60 \$20.0M Treasury Stock (18/11/14) Maturing 2029	2014	2029	20,000,000	20,000,000	0	15,000,000	5,000,000	5,000,000	Resolution of the House of Assembly 2014
61 \$10.0M Treasury Stock (17/07/15) Maturing 2023	2015	2023	10,000,000	10,000,000	0	0	0	10,000,000	Resolution of the House of Assembly 2015
62 \$20.0M Treasury Stock (13/04/16) Maturing 2019	2016	2019	20,000,000	20,000,000	0	0	0	20,000,000	Resolution of the House of Assembly 2015
63 \$5.0M Treasury Stock (13/04/16) Maturing 2021	2016	2021	5,000,000	5,000,000	0	0	0	5,000,000	Resolution of the House of Assembly 2015
64 \$25.0M Treasury Stock (13/04/16) Maturing 2036	2016	2036	25,000,000	25,000,000	0	0	0	25,000,000	Resolution of the House of Assembly 2015
TOTAL			3,400,272,700	3,400,272,700	125,000,000	454,800,000	2,885,472,700	2,820,472,700	

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BAHAMAS GOVERNMENT STOCK									
<u>\$200M Bahamas Government Stock</u>									
Tranche 1: \$75M Maturing 2017,2019,2021,2044	2015	2017-2044	75,000,000	75,000,000	0	0	75,000,000	75,000,000	Resolution of the House of Assembly June 2014
Tranche 2: \$70M Maturing 2018, 2020, 2022, 2045	2015	2018-2045	75,000,000	70,000,000	0	0	70,000,000	70,000,000	
Tranche 3: \$55M Maturing 2018, 2020, 2022, 2045	2015	2018-2045	75,000,000	55,000,000	0	0	55,000,000	55,000,000	
Tranche 4: \$77.310M Maturing 2018, 2020, 2022	2015	2018-2022	77,310,000	77,310,000	0	0	77,310,000	77,310,000	
TOTAL			302,310,000	277,310,000	0	0	277,310,000	277,310,000	

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BAHAMAS GOVERNMENT TREASURY NOTES									
Tranche 1: \$100M	2015	On Demand	100,000,000	100,000,000	0	0	0	100,000,000	
Tranche 2: \$71.3M	2015	On Demand	71,300,000	71,300,000	0	0	0	71,300,000	
Tranche 3: \$21.535M	2015	On Demand	21,535,000	21,535,000	2,914,000	0	0	18,621,000	
Tranche 4: \$27.31M	2015	On Demand	27,310,000	27,310,000	20,000	0	0	27,290,000	
Tranche 5: \$26.177M	2016	On Demand	26,177,000	26,177,000	1,200,000	0	0	24,977,000	
Tranche 6: \$11.861M	2016	On Demand	11,861,000	11,861,000	0	0	0	11,861,000	
TOTAL			258,183,000	258,183,000	4,134,000	0	0	254,045,000	

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
SHORT TERM FACILITIES									
Bahamas Government Treasury Bills		On Demand	639,281,900	639,281,900	40,000,000	0	579,281,900	599,281,900	Section 17 of FAA ACT 2012
Central Bank of the Bahamas Advances		On Demand	134,657,052	134,657,052	0	0	134,657,052	134,657,052	Sec. 26 of The Central Bank of The Bahamas Act 1974.
RBC Overdraft Facility		On Demand	100,000,000	145,366,409	0	0	86,513,930	145,366,409	Section 17 of FAA ACT 2012
Total			873,938,952	919,305,361	40,000,000	0	800,452,882	879,305,361	

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
<u>LOANS SYNDICATED & PAYABLE IN BAHAMIAN DOLLARS</u>									
FCIB \$100M Loan Notes	2014	0	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of the House of Assembly June 2014
Royal Bank of Canada Loan Facility	2014	2015-2016	150,000,000	150,000,000	65,000,000	25,000,000	125,000,000	60,000,000	Resolution of the House of Assembly June 2014
Royal Bank of Canada COB Capital Works Loan	2015	2027	8,000,000	2,467,892				2,467,892	
Harcourt Malcolm Property Purchase 1963/2023	1963	2023	245,714	245,714	0	0	245,714	245,714	The Harcourt Malcolm Property Purchase Act No:2 1963 5% Debenture Note dated 1963
Citibank Commercial Paper	Jun-15	Sep-15	20,000,000	20,000,000	20,000,000	0	20,000,000	0	Resolution of the House of Assembly June 2014
TOTAL			278,245,714	272,713,606	85,000,000	25,000,000	245,245,714	162,713,606	

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
LOANS SYNDICATED IN U.S. DOLLARS AND OTHER CURRENCIES									
US\$21.0m 848/OC-BH IDB Loan	1995	2020	21,600,061	21,600,061	1,296,002	15,120,052	6,480,009	5,184,007	Loan Agreement.
Inter-American Development Bank 1266/OC-BH Infrastructure Rehabilitation (Hurricane Floyd) (Mar 21, 2001)	2001	2021	21,000,000.00	20,222,559	1,263,910	12,639,099	7,583,460	6,319,550	Loan Contract dated 21/03/01
Inter-American Development Bank 1320/OC-BH (New Providence Transport Program) (22/10/01)	2001	2021	46,200,000.00	43,400,000	3,250,878	22,269,292	21,130,708	17,879,830	Loan Contract dated 22/10/01
Inter-American Development Bank 1589/OC-BH Land Use Policy Loan	2005	2015	3,500,000	3,484,867	0	3,484,867	0	0	Loan Contract dated March 16, 2005
Inter-American Development Bank 1617/OC-BH Immediate Response Facility	2005	2025	16,700,000	3,580,521	238,702	1,193,507	2,387,015	2,148,313	Loan Contract dated April 28th, 2005
Inter-American Development Bank 1695/OC-BH Education & Training Loan	2006	2026	18,000,000	12,803,940	885,819	2,617,019	10,186,921	9,301,102	Loan Agreement

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
E. E. C. Rural Energy Project (1.0m Disbursed in Euro)	1991	2030	1,442,766	827,357	27,844.24	429,148.00	398,209	370,365	Loan agreement dated November 11, 1990.
Food Technology Complex	1982	2021	433,140	433,140	17,359	340,920	74,861	57,502	Loan Agreement dated July 22nd, 1982.
IDB 1170/OC-BH Solid Waste Management Loan	2001	2019	23,500,000	21,797,400	1,500,614	15,044,641	6,752,760	5,252,146	Loan Contract No. 1170/OC-BH
IDB 1988/OC-BH New Providence Trns Splmt Fdg.	2008	2033	100,000,000	100,000,000	4,767,602	14,183,161	85,816,839	81,049,237	Loan Contract dated June 23, 2008
\$200M Bond Issue Maturing 2033	2003	2033	200,000,000	200,000,000	0	0	200,000,000	200,000,000	Proceeds Received \$195,910,000 Resolution House of Assembly June 2003
Deutsche Bank 75M Loan (30/09/2013)	2013	2020	101,542,500	101,542,500	0	0	101,542,500	101,542,500	Credit Agreement
Int'l Private Capital / Mkt Dvlptmt Bond Issue	2014	2024	300,000,000	300,000,000	0	0	300,000,000	300,000,000	Credit Agreement

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
The EXIM Bank of China-Container Scammers Loan *(34,000,000 RMB Yuan Disbursed in USD)	2006	2022	5,187,302	4,737,791	329,217	1,025,114	3,712,677	3,383,460	Loan Agreement dated September 27th, 2006
\$100M Bond Issue Maturing 2038	2008	2038	100,000,000	100,000,000	0	0	100,000,000	100,000,000	Resolution of House of Assembly dated December 17th, 2007
Family Island Project (CDB Loan no: 09/OR-BHA)	2010	2015/2018	10,109,000	6,321,818	263,409	0	6,321,818	6,058,409	Loan Agreement dated Oct. 11th, 2010
Chinese Concessional Loan (Airport Road)	2010	2030	57,999,966	59,438,553	1,846,033	0	59,438,553	57,592,520	Loan Agreement
\$300M Bond Issue Maturing 2029	2009	2029	300,000,000	300,000,000	0	0	300,000,000	300,000,000	Resolution of House of Assembly

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
IDB 2682/2683/OC-BH Air Trsprt. Reform Program (16/12/2011)	2011	2031	50,000,000	17,492,778	0	0	17,492,778	17,492,778	Loan Contract Dtd Dec 16, 2011
Chinese Concessional Ln. (North Abaco Pt/Br.) *(260,000,000 RMB Yuan Disbursed in USD)	2012	2032	33,419,015	15,875,883.46	0	0	7,067,077	15,875,883	House of Assembly Resolution dtd Jan. 26, 2012
IDB 2756 OC-BH Trade Sector Support (18/07/2012)	2012	2037	16,500,000	5,490,000	0	0	5,490,000	5,490,000	House of Assembly Resolution Dtd. Aug. 2nd, 2012
IDB 2758 OC-BH Social Safety Net Reform (30/08/2012)	2012	2037	7,500,000	2,012,458	0	0	2,012,458	2,012,458	Loan Contract dtd. Aug. 30, 2012
J.P Morgan US\$180M Credit Agreement	2012	2023	180,000,000	180,000,000	0	0	180,000,000	180,000,000	Credit Agreement

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 AMENDED PUBLIC DEBT STATEMENT
 FOR YEAR ENDED JUNE 30, 2016

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016	REMARKS
IDB 2773 OC-BH New Providence S.F. II (04/09/2012)	2012	2037	65,000,000	59,490,085	2,586,525	1,293,263	58,196,822	55,610,296	Loan Contract dtd. Aug. 30, 2012
CDB MDM Immediate Response- Hurricane Sandy	2014		750,000	659,780	61,854	0	659,780	597,926	
College of The Bahamas Transformation Project (CDB Loan no: 10/OR-BHA)	2014	2031	16,180,000	183,861	183,361	0	20,225	500	Loan Agreement
Defence Force Vessels Loan	2014		232,000,000	128,918,109	9,943,498	0	128,918,109	118,974,611	Resolution dated 19th March 2014
TOTAL			1,928,563,750	1,710,313,460	28,462,627	89,640,081	1,611,683,577	1,592,193,392	

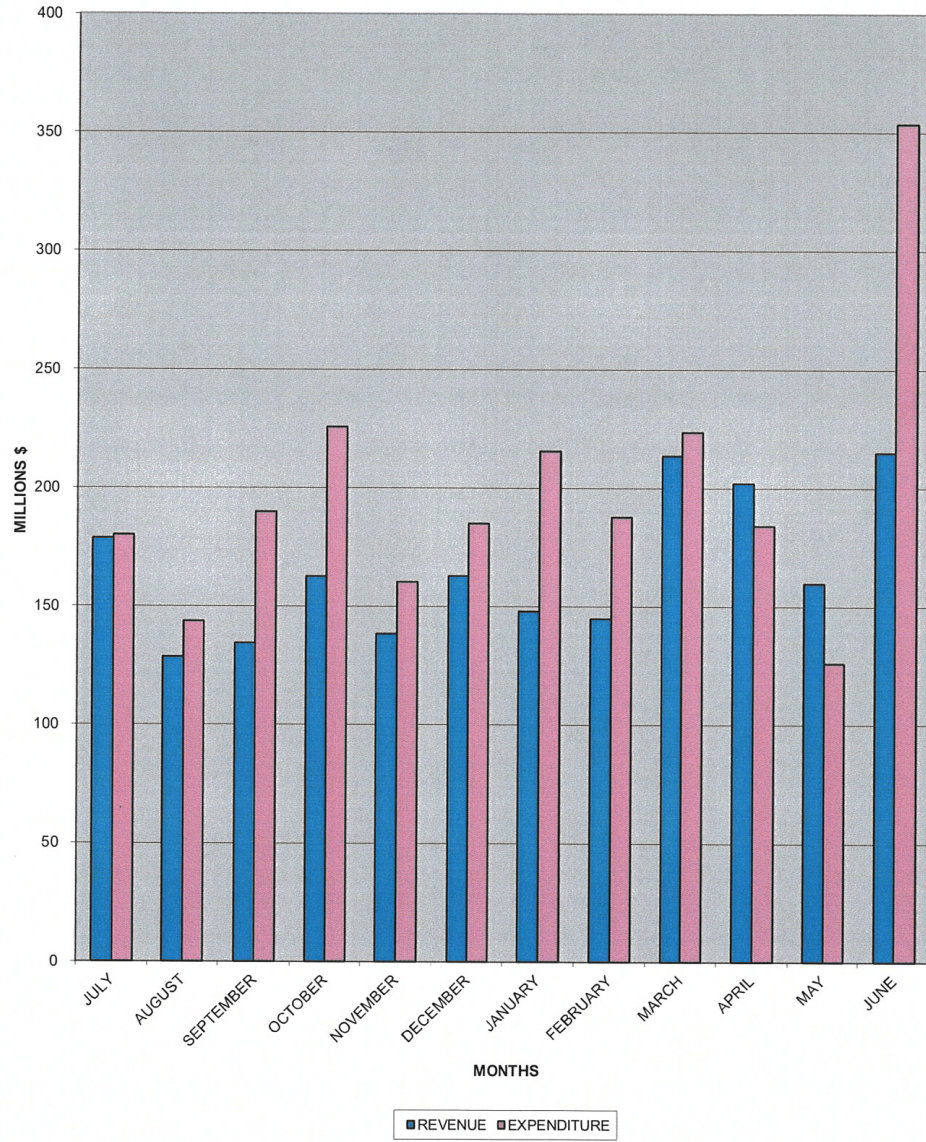
ANNEX 8

GRAPHS OF REVENUE AND EXPENDITURE



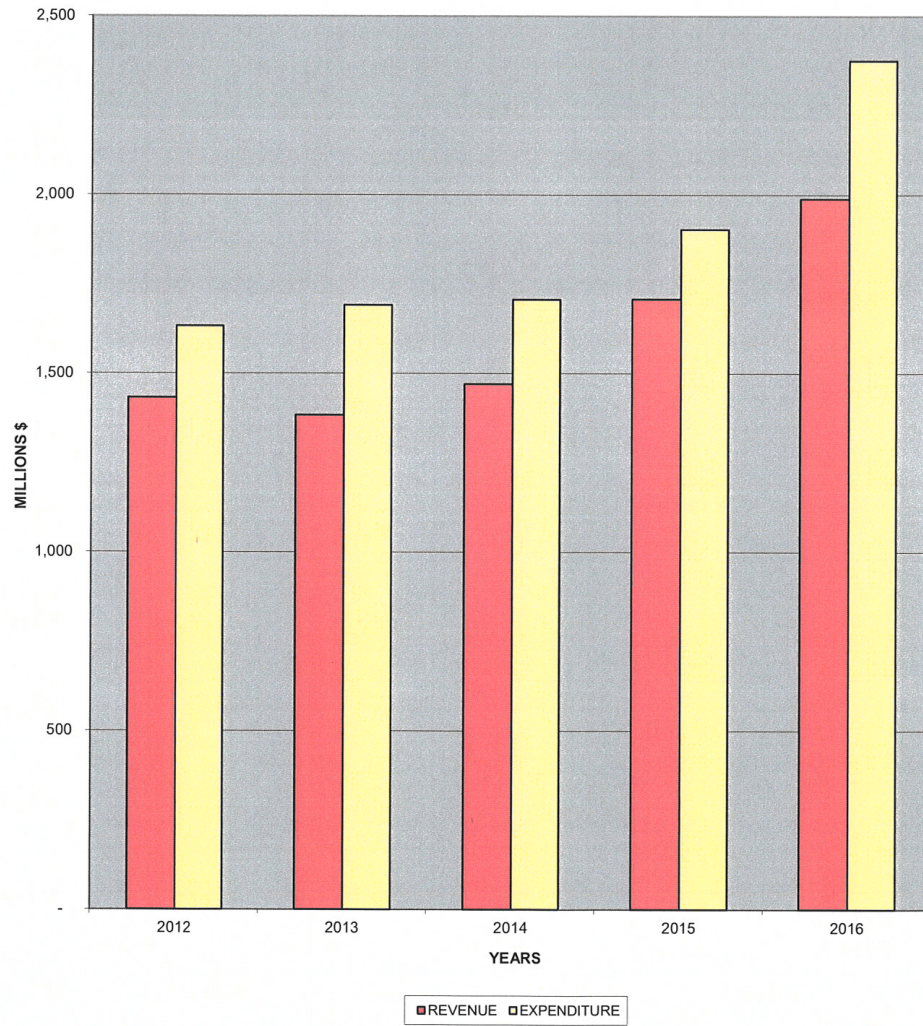
THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

REVENUE & EXPENDITURE FOR YEAR ENDED 30 JUNE, 2016



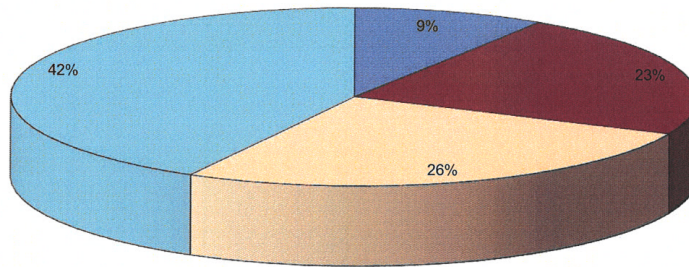
THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

REVENUE & EXPENDITURE FOR FIVE (5) YEAR PERIOD 2012-2016



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

PIE CHART OF EXPENDITURE FOR YEAR ENDED 30 JUNE, 2016



■ CAPITAL DEVELOPMENT ■ PUBLIC DEBT ■ PERSONAL EMOLUMENTS ■ OTHER CHARGES

ANNEX 9

STATEMENT OF FINANCIAL ASSETS & CURRENT LIABILITIES (DEPOSIT FUND ACCOUNT)



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016
(DEPOSITS FUND)

	Notes	As at 30-Jun-2016 B\$	As at 30-Jun-2015 B\$
FINANCIAL ASSETS			
Cash and Domestic Bank Balances	(22)	88,585,133	70,916,949
Fixed Deposits (Harcourt Malcolm Properties)	(23)	223,402	221,032
Dishonoured Cheques	(18)	1,001,620	997,255
Investments (Emslie Trust)	(24)	47,800	47,800
TOTAL FINANCIAL ASSETS		89,857,955	72,183,035
CURRENT LIABILITIES & EQUITY			
Deposit Fund Balance		89,857,955	81,881,535
TOTAL CURRENT LIABILITIES & EQUITY		89,857,955	81,881,535

ANNEX 9

CONTD...

STATEMENT OF CHANGES IN DEPOSIT FUND BALANCES



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

STATEMENT OF CHANGES IN DEPOSITS FUND FUND BALANCES FOR YEAR ENDED 30-JUNE-2016

Notes	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015	Net Change in Fund Balance
	B\$	B\$	B\$
Balance as at 1st July 2015	(81,881,535)	(73,543,744)	8,337,791
Receipts			
Cash Transfers in	(20,623,798)	(22,546,165)	(1,922,367)
Sub-Total	(102,505,333)	(96,089,909)	6,415,424
Payments			
Cash Transfers out	12,647,378	14,208,374	1,560,996
Balance as at 30 June 2016	(89,857,955)	(81,881,535)	7,976,420

ANNEX 9

CONTD...

SCHEDULE OF CASH MOVEMENT IN DEPOSIT FUND ACCOUNT BY CATEGORIES



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

SCHEDULE OF CASH MOVEMENT IN DEPOSIT FUND ACCOUNTS BY ACCOUNT CATEGORIES FOR YEAR ENDED 30-JUNE-2016

	Transfers In	Transfers Out	Net Movement
Cash Imprests Family Island	0	763,851	(763,851)
Postal Advances	0	1,952,743	(1,952,743)
Advances Special	0	245,096	(245,096)
Advance to Other Funds	0	5,852,055	(5,852,055)
Stores Inventory	456,644	0	456,644
Undistributed Foreign exchange	419,997	0	419,997
Undistributed Collections Deposits Fund	18,276,597	0	18,276,597
Unclaimed Cheques	1,383,292	0	1,383,292
Postal Transactions	63,957	0	63,957
Depository Liabilities Ministries/Departments	0	1,392,787	(1,392,787)
Depository Liabilities Special	0	2,424,960	(2,424,960)
Depository Liabilities Land Acquisition	23,311	0	23,311
Depository Liabilities Payable	0	15,887	(15,887)
Total	20,623,798	12,647,378	7,976,420

ANNEX 9

CONTD...

**STATEMENT OF CHANGES IN POST
OFFICE SAVINGS BANK FUND BALANCES
&
STATEMENT OF PUBLIC OFFICERS'
LOAN FUND**



THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

STATEMENT OF CHANGES IN POST OFFICE SAVINGS BANK FUND BALANCES
FOR YEAR ENDED JUNE 30-2016

	Notes	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015	Net Change in Fund Balance
		B\$	B\$	B\$
Balance as at 1st July 2015		8,108,211	7,847,844	(260,367)
Receipts				
Interest earned	(7)	263,200	260,367	(2,833)
Sub-Total		8,371,412	8,108,211	(263,200)
Payments				
Cash Transfers out		-	-	-
Balance as at 30 June 2016		8,371,412	8,108,211	(263,200)

STATEMENT OF PUBLIC OFFICERS' LOAN FUND FOR YEAR ENDED 30-JUNE-2016

	Notes	Financial Year Ended 30-Jun-2016	Financial Year Ended 30-Jun-2015	Net Change in Fund Balance
		B\$	B\$	B\$
Balance as at 1st July 2015		1,125,389	1,127,349	1,959
Less: Principal Repayments		864,968	741,866	(123,101)
Sub-Total		260,421	385,482	125,061
Loans made in period		1,032,149	739,907	(292,242)
Balance as at 30 June 2016		1,292,570	1,125,389	(167,181)

the accompanying notes are an integral part of these financial statements

ANNEX 10

STATEMENT OF CONTINGENT LIABILITIES



GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
 CONTINGENT LIABILITIES
 AS AT
 JUNE 30th, 2016

LOANS	AMOUNT OF LOAN AUTHORIZED BY LEGISLATURE	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED AS AT	AMOUNT OUTSTANDING AS AT	AMOUNT OUTSTANDING AS AT
	30/06/2016	30/06/2016	30/06/2015	30/06/2015	30/06/2016
BAHAMAS DEVELOPMENT BANK					
BDB - SERIES A & B BONDS	25,000,000	25,000,000	0	25,000,000	25,000,000
BDB - SERIES C & D BONDS	25,000,000	25,000,000	0	25,000,000	25,000,000
TOTAL	<u>50,000,000</u>	<u>50,000,000</u>	<u>0</u>	<u>50,000,000</u>	<u>50,000,000</u>

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
CONTINGENT LIABILITIES
AS AT
JUNE 30th, 2016

LOANS	AMOUNT OF LOAN AUTHORIZED BY LEGISLATURE	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED AS AT	AMOUNT OUTSTANDING AS AT	AMOUNT OUTSTANDING AS AT
	30/06/2016	30/06/2016	30/06/2015	30/06/2015	30/06/2016
BAHAMAS ELECTRICITY CORP.					
US \$83.2M of US \$211 Refinancing Loan (FCIB/Credit Suisse)	83,200,000	83,200,000	3,120,000	83,200,000	80,080,000
US \$127.8M of US \$211 Refinancing Loan (FCIB/Credit Suisse)	127,800,000	127,800,000	4,792,500	127,800,000	123,007,500
US\$35M Loan (FCIB Refinancing)	35,000,000	35,000,000	1,312,500	35,000,000	33,687,500
TOTAL	246,000,000	246,000,000	9,225,000	246,000,000	236,775,000
CLIFTON HERITAGE AUTHORITY					
BGRS	24,000,000	24,000,000	0	24,000,000	24,000,000
TOTAL	24,000,000	24,000,000	0	24,000,000	24,000,000

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
CONTINGENT LIABILITIES
AS AT
JUNE 30th, 2016

LOANS	AMOUNT OF LOAN AUTHORIZED BY LEGISLATURE	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2015	AMOUNT OUTSTANDING AS AT 30/06/2016
THE BRIDGE AUTHORITY					
BGRS	23,000,000	23,000,000	0	23,000,000	23,000,000
TOTAL	23,000,000	23,000,000	0	23,000,000	23,000,000
THE EDUCATION AUTHORITY					
VARIOUS BKS - SERIES A,B,C BDS.	67,000,000	67,000,000	0	67,000,000	67,000,000
TOTAL	67,000,000	67,000,000	0	67,000,000	67,000,000
THE PUBLIC HOSPITALS AUTHORITY					
Critical Care Block Bond	100,000,000	73,000,000	2,368,421	45,000,000	70,631,579
FCIB	35,000,000	35,000,000	2,817,500	34,097,500	32,182,500
TOTAL	135,000,000	108,000,000	5,185,921	79,097,500	102,814,079

GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
CONTINGENT LIABILITIES
AS AT
JUNE 30th, 2016

LOANS	AMOUNT OF LOAN AUTHORIZED BY LEGISLATURE	AMOUNT DRAWN IN RESPECT OF LOAN AUTHORIZED	AMOUNT REDEEMED AS AT	AMOUNT OUTSTANDING AS AT	AMOUNT OUTSTANDING AS AT
	30/06/2016	30/06/2016	30/06/2015	30/06/2015	30/06/2016
THE MORTGAGE CORPORATION					
SERIAL BONDS	165,000,000	165,000,000	0	165,000,000	165,000,000
TOTAL	165,000,000	165,000,000	0	165,000,000	165,000,000
WATER & SEWERAGE CORP.					
IADB-1112/OC-BH LOAN FAMILY ISLAND PORTABLE WATER	14,000,000	10,632,274	6,579,002	4,559,928	4,053,272
IDB-2624/OC-BH WATER PROJECT LOAN	81,000,000	59,932,757	0	53,235,160	59,932,757
TOTAL	95,000,000	70,565,031	6,579,002	57,795,088	63,986,029
PRIVATE SECTOR GUARANTEED DEBT					
Bank of The Bahamas Hurricane Guarantee Fund	4,469,123	4,469,123	1,536,123	3,022,939	2,933,000
Bank of The Bahamas Education Guarantee Fund	7,626,570	7,626,570	637,796	6,209,521	6,988,774
TOTAL	12,095,693	12,095,693	2,173,919	9,232,460	9,921,774