



OFFICE OF THE AUDITOR GENERAL COMMONWEALTH OF THE BAHAMAS

**Report of the Auditor General for the
Year Ended June 30, 2017**

2017



OFFICE OF THE AUDITOR GENERAL
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DAG/T.3/2017/026

Reference No.....

May 26, 2020

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, 2017.

Sincerely,

Terrance S. Bastian (Mr.)
Auditor General

TSB/bn

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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: 2016/2017 TREASURY ACCOUNTS

In accordance with Section 27(2) of the Financial Administration and Audit Act, I hereby transmit the statement of accounts for 2016/2017 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.

LIST OF ABBREVIATIONS

OAG	Office of the Auditor General
AI	Artificial Intelligence
BESW	Bahamas Electronic Single Window
BICA	Bahamas Institute of Chartered Accountants
BNDA	Bahamas National Drug Agency
CAROSAI	Caribbean Organization of Supreme Audit Institutions
CRA	Central Revenue Agency
DIR	Department of Inland Revenue
ECAS	Electronic Customs Automated Services
EID	Electronic Identification
FAA Act	Financial Administration and Audit Act
GAAS	Generally Accepted Auditing Standards
IFMIS	Integrated Financial Management Information System
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Auditing
MDAs	Ministries, Departments & Agencies
MMD	Materials Management Directorate
MOW	Ministry of Works
NEMS	National Emergency Medical Services
OAG	Office of the Auditor General
OTMS	Online Tender Management System
PFM	Public Financial Management
PHA	Public Hospitals Authority
PMR	Performance Monitoring
POS	Point of Sale
REU	Revenue Enhancement Unit
RPT	Real Property Tax
SAI	Supreme Audit Institution
SMA	Supplies Management Agency
SOE	State Owned Enterprise
TIN	Tax Identification Number
UN	United Nations
UPU	Universal Postal Union
VAT	Value Added Tax

OVERVIEW

I am pleased to present my report on the audits carried out by the Office of the Auditor General (OAG) for the financial year 2016/2017.

The audits give assurance to the Government and the People 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 is 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. The audit observations reported are based on the information and evidence gathered. It should be noted that audits are conducted on a sample basis, they do not reveal all weaknesses and irregularities. However, they should assist in uncovering some of the major malfeasance.

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.

This report is submitted to the Speaker of the House of Assembly who shall, cause the report to be laid before the House of Assembly in accordance with Section 43 (1) of the Financial Administration and Audit Act.

The authority of which the Auditor General and his staff possess are defined in the Financial Administration and Audit Act 2010 and the Financial Regulations 1975. The Auditor General shall examine and inquire into and audit the accounts of all accounting officers and principal receivers of revenue and all persons entrusted with collection, receipt, custody or disposal of public moneys or public stores.

Like the Bahamas Constitution, the history of the Office of the Auditor General has roots of considerable antiquity. It was in May 1925 due to the increase in the extent and complexity of Government activity that Parliament legislate an Act to provide for the efficient examination and audit of the Public Accounts. Government accounting has been defined as the art of managing and accounting for the Revenue and Expenditure of a Public Authority. The Public Authority in this case is the Government of the Bahamas.

The number and dollar amounts of government programs are increasing substantially, which are aiming at improving the quality of Bahamian life. This increase has brought an increased demand for full accountability by those entrusted with the responsibility for administering the programs. Public officials, legislators, and private citizens want and need to know not only whether Government funds are handled properly and in compliance with laws and regulations but also whether Government Organizations are achieving the purposes for which programs were authorized and funded and are doing so economically and efficiently. The mechanism to ensure that monies allocated for these programs are spent for the purpose intended is called Auditing.

Auditing involves a system of financial control which works in conjunction with other controls defined in the Financial Administration and Audit Act 2010;(an Act to make provision for the administration, control and audit of public finances and it provided for other matters connected therewith or incidental thereto), and the Financial Regulations 1975.

Under the present Constitution (Bahamas Independence Order 1973) July 10th, 1973, the post and duties of the Auditor-General of the Commonwealth of The Bahamas are specifically defined in Section 136.

DUTIES OF THE AUDITOR GENERAL

The authority under which the Auditor General and his staff operate are defined in The Financial Administration and Audit Act 2010 and the Financial Regulations 1975 – Section 29: The Auditor General shall examine and inquire into and audit the accounts of all accounting officers and principal receivers of revenue and all persons entrusted with collection, receipt, custody or disposal of public moneys or public stores.

The Auditor General shall satisfy himself:

- That all reasonable precautions have been taken to safeguard the collection of public moneys, and that the laws, directions and instructions relating thereto have been duly observed.
- That all issues and payments are made in accordance with proper authority; that all payments are properly chargeable and are supported by sufficient vouchers or proof of payment.
- That all public money expended or charged to an appropriation account is applied to the purposes for which the grants made by the House of Assembly are intended to provide and that the expenditure conforms to the authority which governs it.

FUNCTIONS

The Auditor General's officers must make:

- An independent assessment of the efficiency and effectiveness of Government spending.
- An independent assessment of the fairness in the Administration of government finances.

Section 33

For the purpose of the examination of any account, the Auditor General or any person authorized by him shall be entitled at all reasonable times to have access to the following:



The Auditor General can call upon an officer for any explanation and information he may require in order to enable him to discharge his duty.

He can also require any department concerned to furnish him from time to time or at regular periods with accounts of the transactions of such department up to such date as he may specify.

INTERNATIONAL MEMBERSHIP

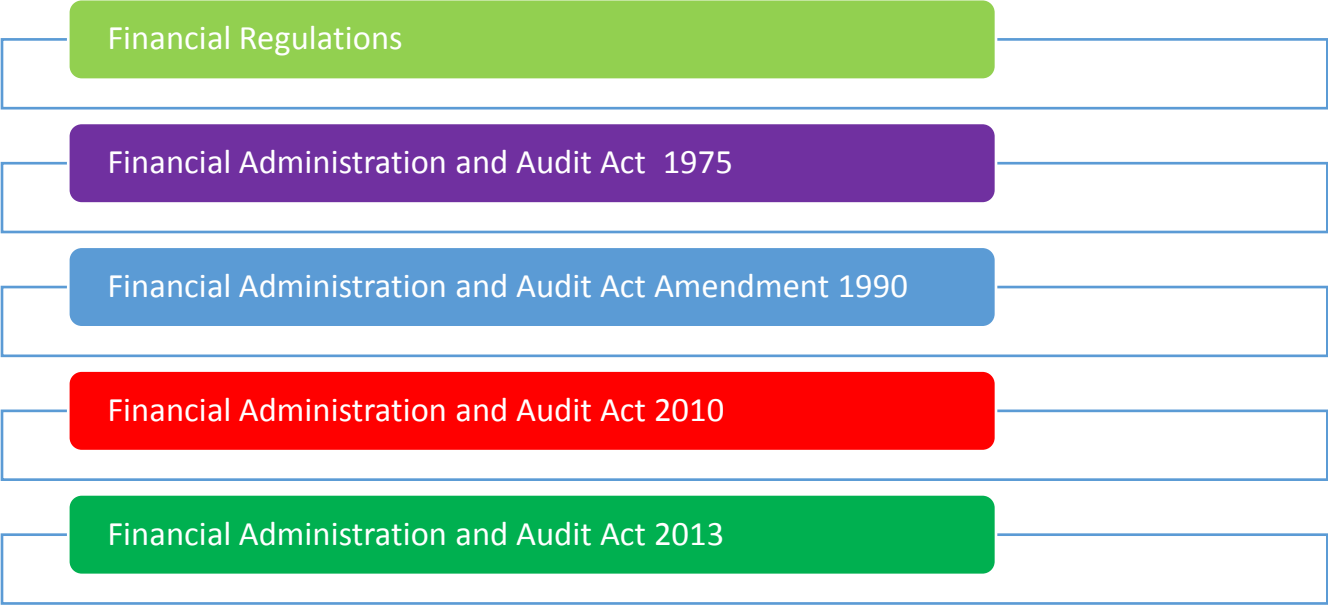
The Office of the Auditor General is one of the founding members of the Caribbean Organization of Supreme Audit Institutions (CAROSAI).

CAROSAI is designed to promote understanding and co-operation among member institutions in the region through the exchange of audit ideas, experiences, methodologies and techniques and training in public sector auditing and accounting

SAI Bahamas is also a member of the International Organization of Supreme Audit Institution (INTOSAI). INTOSAI is an autonomous, independent, professional and nonpolitical organization established as a permanent institution. Its purpose is to:

- Provide mutual support to SAIs;
- Foster the exchange of ideas, knowledge, and experiences;
- Act as a recognized global public voice of SAIs within the international community;
- Set standards for public sector auditing;
- Promote good national governance; and
- Support SAI capacity development, cooperation and continuous performance improvement.

GOVERNING LEGISLATION



AUDITOR GENERAL'S PERSPECTIVE

1. The following issues inclusive of staffing and access to audit information remain 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 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.
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 residence.
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:

- SAIs 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 SAIs 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 SAls 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.



CONSTITUTIONAL PROVISIONS

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.”



AUDIT APPROACH & 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 (GAAS) and International Standards of Auditing (ISA) 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.



ADMINISTRATION & PERSONNEL

ADMINISTRATION AND PERSONNEL

3.01 The fiscal year 2016/2017 heralded the ninety second (92nd) 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. Yulanda Fowler
Assistant Auditor
Nassau - Hired on contract with effect from
3 October, 2016
- Ms. Shandel Swain
Assistant Auditor
Abaco - Hired on contract with effect from
19 June, 2017

Acting Appointment

- 3.03 Mrs. Portia Barnett
Deputy Auditor General - Acted as Auditor General for the
period 12 – 17 July, 2016
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the
period 18 – 31 July, 2016
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the
period 3 – 26 August, 2016
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the
period 2 – 8 October, 2016
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the
period 11 – 20 November, 2016

- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the period 2 – 13 December, 2016
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the period 28 – 29 December, 2016
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the period 18 – 26 March, 2017
- Ms. Carolyn Patton
Sr. Deputy Auditor General - Acted as Auditor General for the period 18 – 23 April, 2017

Unpaid Leave

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

Retired

- 3.05 Ms. Susan Newbold
Accounting & Audit Officer IV - Retired from the Public Service with effect from 26th August, 2016.
- Ms. Glendina Johnson
Accounting & Audit Officer IV - Retired from the Public Service with effect from 31st August, 2016.
- Mr. Edgar White
Accounting & Audit Officer IV - Retired from the Public Service with effect from 11th November, 2016.
- Ms. Vestra Fernander
Janitress - Retired from the Public Service with effect from 1st April, 2017
- Mr. Leonard Major
Asst. Accounting & Audit Officer - Retired from the Public Service with effect from 24th April, 2017.

Resignation

- 3.06 Ms. Vanessa Clarke
IT Auditor - Resigned as a Contract Worker with effect from 30th September, 2016.

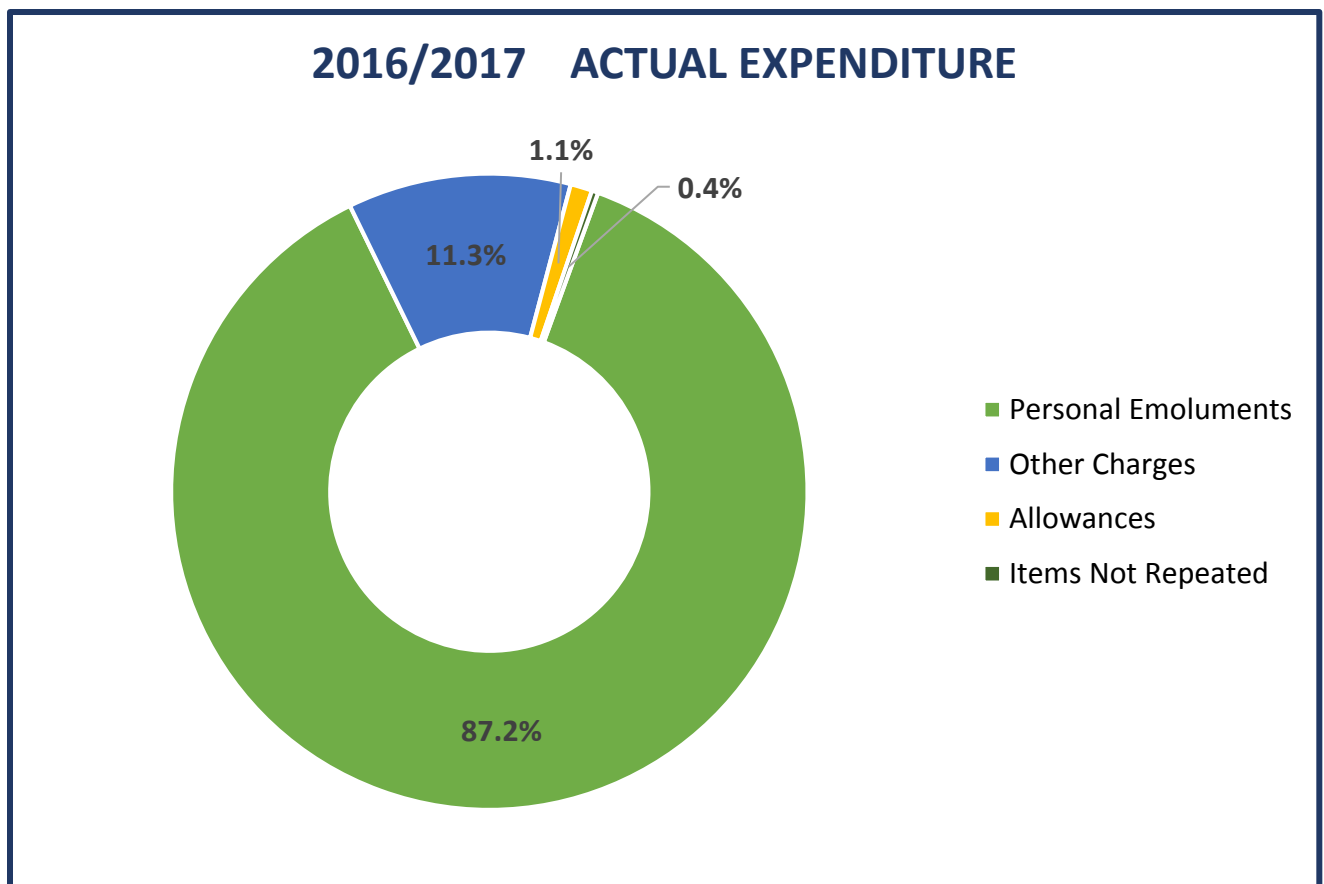
3.07	<u>Local Training Administered To Staff During the Year</u>	<u>Training Body/Trainer</u>
	BICA Seminar	Bahamas Institute of Chartered Accountants (BICA)
	6 th Annual Fraud, Ethics and Compliance Seminar	Association of Certified Fraud Examiners Bahamas
	Professional Ethics and Enterprise Risk Management Workshop	Bahamas Institute of Chartered Accountants (BICA)
3.08	<u>International Meetings</u>	<u>Training Body/Trainer</u>
	68 th Meeting of INTOSAI Governing Board	International Organization of Supreme Audit Institutions (INTOSAI) Moscow, Russia
	INCOSAI XXII UN 2030 Agenda and Professionalization	International Congress of Supreme Audit Institutions (INCOSAI) Abu Dhabi, UAE
	23 rd Auditors General Conference	International Organization of Supreme Audit Institutions (INTOSAI) New Delhi, India
	CAROSAI Cooperative (Parallel) Procurement Audit Workshop	Caribbean Organization of Supreme Audit Institutions (CAROSAI) Kingston, Jamaica

3.09 The Office of the Auditor General's staff composition as at June 30, 2017 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	8	12	4
Accounting & Audit Officer IV	5	9	4
Assistant Accounting & Audit Officer	3	9	6
Trainee Accounting & Audit Officer	2	6	4
Chief Audit Clerk	0	4	4
Chief Clerk	1	1	0
Senior Audit Clerk	0	1	1
Support Staff			
Executive Officer	1	0	-1
Office Manager III	0	1	1
Janitress	0	1	1
Contract Workers			
Senior Auditor	2	2	0
Assistant Auditor	14	14	0
Information Systems Auditor	0	1	1
Work Study Auditor	3	3	0
Receptionist / Clerk	1	1	0
Administrative Assistant	1	1	0
Total	58	78	20

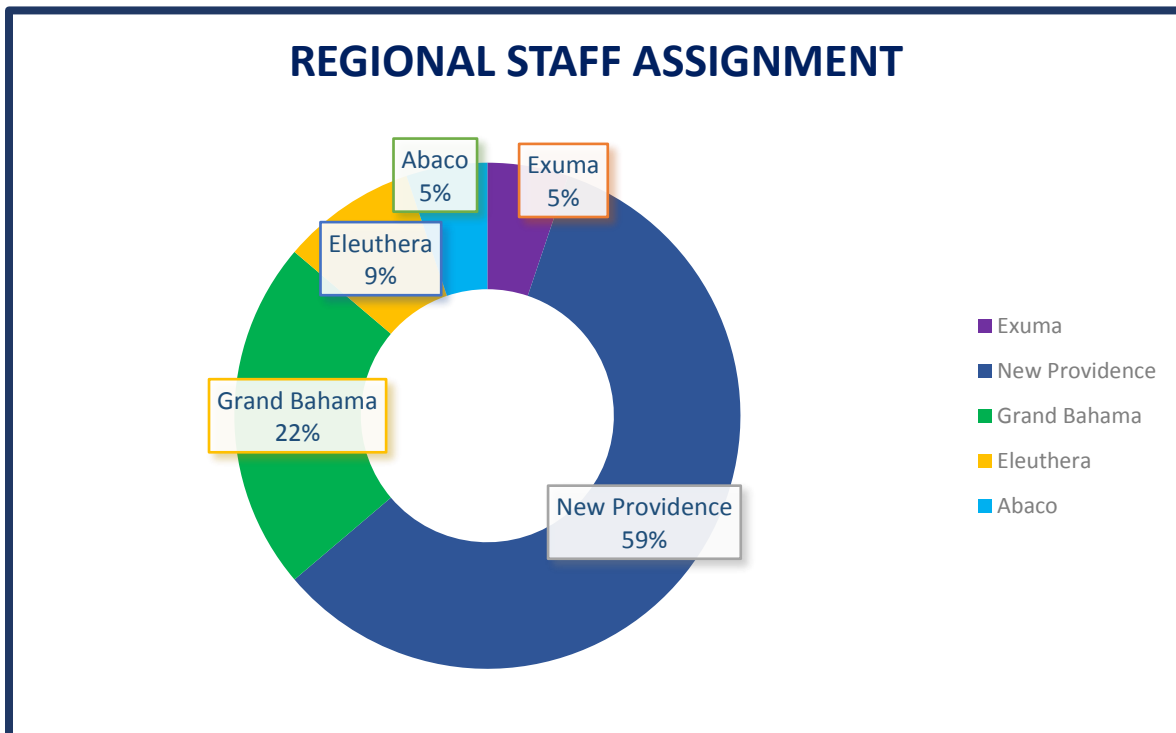
3.10 Total expenditure for the fiscal year ended June 30, 2017 compared with expenditure for 2015/2016 are as follows:

	2016/2017 Estimated Expenditure	2016/2017 Actual Expenditure	2015/2016 Actual Expenditure
Personal Emoluments	\$ 2,167,900.00	\$ 1,861,123.00	\$ 1,726,866.00
Other Charges	\$ 324,300.00	\$ 242,074.00	\$ 177,235.00
Allowances	\$ 31,600.00	\$ 23,600.00	\$ 21,898.00
Items Not Repeated	\$ 10,000.00	\$ 6,940.00	\$ 62,955.00
Total	\$ 2,533,800.00	\$ 2,133,737.00	\$ 1,988,954.00



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

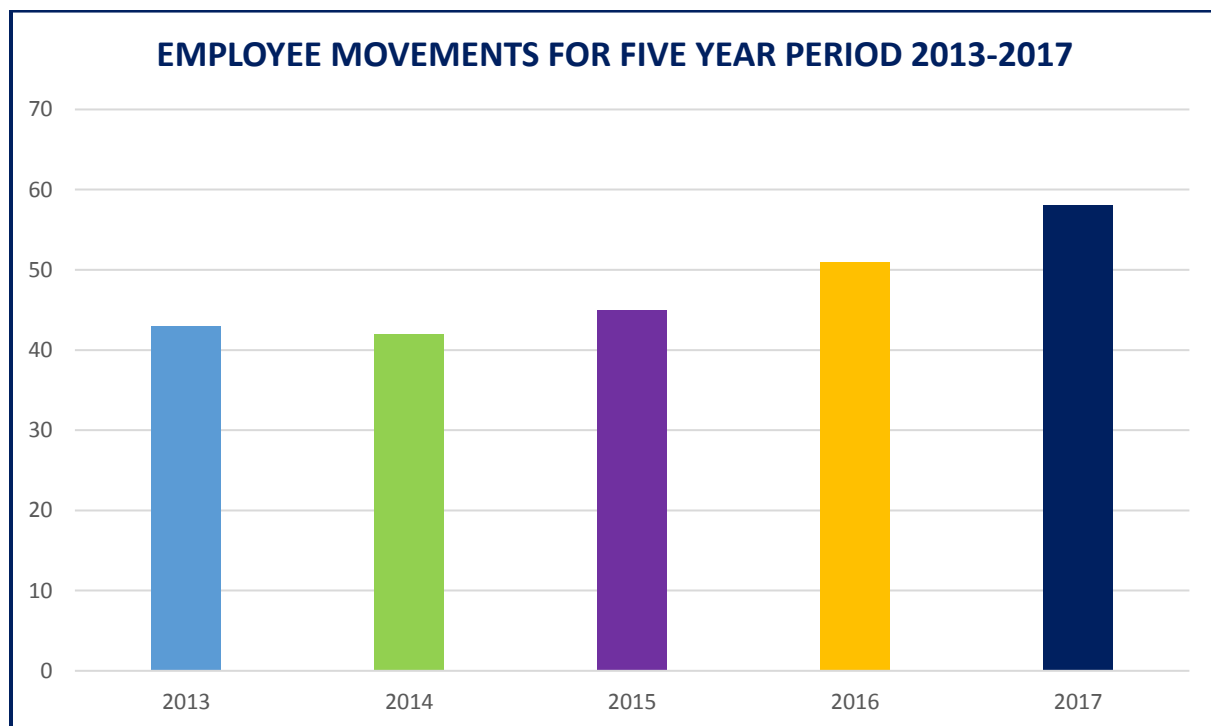
Districts	Nos.	%
Exuma	3	5
New Providence	34	59
Grand Bahama	13	22
Eleuthera	5	9
Abaco	3	5
Total	58	100



3.12 Employees are a key factor of an organization’s success and are often the “face” of the agency to all stakeholders. Maintaining a well-trained, well-qualified workforce is a critical function for efficient and effective audits within our agency.

Over the past decade we have lost staff at an alarming rate as a result of retirement and resignation. For the past several years we have embarked on a vigorous campaign to recruit staff in an effort to build qualified human capacity to be able to fulfill our mandate in auditing each government ministry and department on a timely basis.

The chart below shows that we have increased our staff capacity from a mere 43 in 2013 to 58 by end of fiscal year 2017, a 34.8% increase. We continue to actively recruit qualified staff and expect this number to advance in the coming years.





CONFISCATED ASSETS

CONFISCATED ASSETS FUND

4.01 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, 2017. The balance of the Fund as at June 30, 2017 was \$2,348,078.

CONFISCATED ASSETS FUND FUND ATATEMENT AS AT JUNE 30, 2017	
Opening Fund Balance	\$ 2,018,882
Deposits	\$ 308,013
Interest	\$ 21,972
Payments	\$ (789)
Fund Balance	\$ 2,348,078



REVENUE & EXPENDITURE AUDITS

AUDIT OF PROCUREMENT PROCEDURE

Executive Summary

- 5.01 Our audit assessed the compliance of the procurement practice of the Public Hospitals Authority. The work was performed by comparing actual procurement documents to the established policies and regulations to ensure completeness of the process. Our audit obtained the information/data through interviews of management personnel and review of related documents.
- 5.02 Our audit revealed that the Online Tender Management System encountered problems upon its launch resulting in additional cost.
- 5.03 Management is unable to act on alleged claims without any substantiated evidence because vendors are unwilling to provide written statements for fear of retaliation. Management has no recourse to discipline employees who do not sign a conflict of interest disclosure statement annually.
- 5.04 A debar listing (a record of all vendors excluded from bidding on contracts) was not maintained. The Public Hospitals Authority stands to lose valuable time and resources because contracts are not monitored proficiently. The Public Hospitals Authority management was unaware of how many contracts currently exist under their purview.

Background Information

- 5.05 The Auditor General's Office of The Bahamas partnered with Caribbean Organization of Supreme Audit Institutions (CAROSAI) eleven (11) member countries to conduct a Cooperative (Parallel) Procurement Audit. Participating countries include St. Kitts, Montserrat, Trinidad and Tobago, Guyana, Grenada, Curacao, Belize, Barbados, Suriname, British Virgin Islands and St. Lucia. Each participant chose a department or ministry from their respective country to conduct a procurement audit on and submit to their Parliament. Caribbean Organization of Supreme Audit Institutions will compile a compendium of these reports and forward to each country.

- 5.06 The Public Hospitals Authority (PHA) was established in July 1999 by an Act of Parliament (1998) as a public corporation responsible for the management and development of the public hospital system in the Commonwealth of The Bahamas.
- 5.07 The Mandate of the Public Hospitals Authority is to provide effective governance and management of government-owned hospitals in The Bahamas, namely; Princess Margaret Hospital, Rand Memorial Hospital and Sandilands Rehabilitation Centre.
- 5.08 The Vision of the PHA is to be the model of excellence for health services delivery, meeting the needs and enhancing the health of the people of The Bahamas.
- 5.09 The Mission of the Public Hospitals Authority is to:
- Deliver a comprehensive range of preventive, curative, rehabilitative, emergency and educational health services to persons in The Bahamas, through its healthcare facilities and services;
 - Provide for the national procurement and inventory management of pharmaceuticals and medical/surgical supplies throughout the Public Sector Health Services; and
 - Ensure proficient, efficient and effective management and delivery of all services under its responsibility.
- 5.10 The organization also has delegated responsibilities under the authority of the Minister of Health, for the management and development of the following:
- Grand Bahamas Health Services (which includes the RAND);
 - National Emergency Medical Services (NEMS);
 - Bahamas National Drug Agency (BNDA); and
 - Materials Management Directorate (MMD).
- 5.11 National Emergency Medical Services, Bahamas National Drug Agency and Materials Management Directorate form the shared services branch of the Public Hospitals Authority. These three entities are defined as “shared

services” because their respective mandates encompass services provided by the Public Health Department (in New Providence and the Family Islands) and the Public Hospitals Authority.

5.12 The Supplies Management Agency (SMA) is a single consolidation of The Bahamas National Drug Agency (BNDA) and the Materials Management Directorate (MMD). The two main divisions of the Supplies Management Agency is the Purchasing and Logistics Services Division and the Procurement Planning and Quality Division.

5.13 As at June 30, 2016, contracts payment totaled \$53,327,321 as shown in Table 1 below:

5.14 Table 1: Expenditure on Contracts

CONTRACTS	EXPENDITURE
Contacts for Medical Services	\$ 6,256,963.00
Other Contractual Services	\$ 7,361,846.00
Operation of Facilities/Contracts	\$ 13,669,626.00
Total Drugs & Vaccines	\$ 13,819,590.00
Total Medical Supplies	\$ 12,219,296.00
TOTAL	\$ 53,327,321.00

Source: PHA's Statement of Revenue and Expenses

5.15 Our audit focused on the procurement practices of the Public Hospitals Authority in relation to the relevant acts, legislation, policies and procedures. This allowed the Auditor General to express an opinion on the findings and make relevant recommendations.

Findings and Recommendations

5.16 The cost of operating the Online Tender Management System (OTMS) increased because of problems encountered when it was launched. A consultant was engaged to address those problem, which resulted in an additional cost.

Before moving to the Online Tender Management System, the Authority used a manual tender system. Both systems are being run parallel due to inefficiencies found in the electronic submission system.

The manual tender process took a longer time to evaluate and select the winning vendor. Hence, excess resources used during the evaluation stage could have been directed to other areas of the organization.

Vendors who wish to bid on contracts with Public Hospitals Authority must do so by prequalifying for the tender process. They must also receive training on the Online Tender Management System. In addition, the tender submission must be accompanied by a hard copy and Compact Disc.

Problems were discovered in the OTMS, which was due to technical issues that were not detected during its implementation. These issues are presently being addressed.

- 5.17 **We recommend that management should continue to work to rectify the problems with the Online Tender Management System and keep the auditors informed.**

Management Response:

The revision of the OTMS system will be undertaken in the upcoming fiscal year 2018/19.

- 5.18 Presently the Public Hospitals Authority has no written policy regarding the reporting of alleged improprieties.

Public Hospitals Authority's management stated that there have been instances where vendors have verbalized alleged improprieties that occurred during the tender process. However, vendors are unwilling to come forth with a written statement for fear of being unfairly treated in the tender process or blacklisted for future tender.

There is no documented evidence to substantiate the alleged improprieties. Management is unable to act on alleged claims without having substantiated evidence.

- 5.19 **We recommend that a complaints unit should be established to investigate claims made by vendors or the public.**

Management Response:

The Public Hospitals Authority will establish a process for complaints by vendors and the local public.

- 5.20 Staff do not sign a conflict of interest disclosure statement annually; consequently, there is no recourse for management to discipline employees.

Supplies Management Agency Procedural Manual states that employees in the purchasing unit must complete a conflict of interest disclosure statement annually. However, there is no conflict of interest disclosure statement form signed by employees hindering management from taking disciplinary action(s) where necessary.

- 5.21 We recommend that a conflict of interest disclosure form for staff should be introduced and consistently used at the Authority.

Management Response:

The PHA will introduce a conflict of interest disclosure form to be signed by all employees.

- 5.22 A debarred listing (a record of all vendors excluded from bidding on contracts) was not maintained. As a result, debarred vendors could still participate in the tendering process.

According to Public Hospitals Authority Tender Document No. 11 states "Any effort by a bidder to influence the Public Hospitals Authority or any representative thereof in the process of examination, clarification, evaluation and comparison of bid, and in decisions concerning the award of Contract, shall result in the disqualification of that tender."

- 5.23 We recommend that a debarred listing should be implemented, maintained and adhered to consistently.

Management Response:

The Public Hospitals Authority currently utilizes the Ministry of Public Works (MOW) debar listing of contractors as a guide to determine the suitability of a contractor. However, the Public Hospital's Authority will establish its own 'debar' list of all vendors.

- 5.24 There is no effective monitoring of suppliers' contracts. Contracts for medicine and drugs are guaranteed by Public Hospitals Authority and must be honoured before the contract expires.

Therefore, the Public Hospitals Authority is obligated to purchase any drugs/medicines outstanding.

- 5.25 We recommend that the Public Hospitals Authority management should establish a stock and issue database. We recommend that the Public Hospitals Authority should monitor and ensure that drugs/medicine purchased are accounted for including those outstanding. Also, we recommend that the Public Hospitals Authority ensure that these items are utilized before the contract expires.

Management Response:

The Public Hospitals Authority will investigate the development of an automated system to provide a database for drug utilization and monitoring of closed dated items prior to their expiration.

- 5.26 Public Hospitals Authority management was unaware of how many contracts existed. As a result, Public Hospitals Authority could be paying for:

- i. Expired contracts.
- ii. Incorrect amount on a contract.
- iii. Obsolete contracts (outlived its usefulness)

- 5.27 Our examination of the spreadsheet and contracts provided revealed that:

- i. One hundred eighty three (183) contracts had expired.
- ii. Twenty-five (25) current contracts presented were not signed.
- iii. Fourteen (14) current contracts were not presented.
- iv. Reported cost was inconsistent with contract details.
- v. There are contracts with indefinite terms.
- vi. Different areas under Public Hospitals Authority have similar contracts (generators).

- 5.28 A contract database/register inclusive of the contracted amounts and expiry dates have not been maintained for Public Hospital Authority including Princess Margaret Hospital, Sandilands Rehabilitation Centre, Rand Memorial Hospital and its Headquarters.

5.29 We recommend that a database should be created and maintained for all contracts. The database should contain a listing of vendor, description of contract, expiry date, amount, monthly payment and any other pertinent information management considers vital. Management should review the contracts and determine where possible, practicable and economical to combine contracts for the different sections. A registry should be implemented to house all contract documents.

Management Response:

The Public Hospitals Authority is in the process of establishing a contracts database and registry as recommended. Where appropriate, the Public Hospitals Authority will consolidate contracts.

Conclusion

5.30 The Public Hospitals Authority complied with most aspects regarding established policies, procedures and manuals in regards to the procurement process. However, there are areas to be addressed as stated in our findings and recommendations.

5.31 Also, a further review may be necessary to widen out scope as it pertains to medicine and drugs contracts. This would encompass the purchase and inventory management process (including but not limited to disbursement, storage, storage of recalled drugs and expired drugs etc.).



POST OFFICE

EXECUTIVE SUMMARY

6.01 The Government of The Commonwealth of The Bahamas Postal Services, the country's primary mail distribution establishment, function under the Post Office Department. The Department reports directly to the Ministry of Transport and Local Government. In addition to serving as postal services provider, the Department is responsible for the management of the Post Office Savings Bank.

The annual audit review and continuous monitoring of the Post Office progress towards strengthening the entire operational framework and addressing the outstanding concerns are highlighted.

The concerns have much to do with the way of doing business in a digital economy, while adhering to the financial, governmental and regulatory mandates. Digitization and modernization for automation to advance accountability, transparency and reporting of the Post Office products for real-time information is needed. Among this, some of the other outstanding concerns are:

- Presenting the Annual Financial Reporting on the Post Office Savings Bank Operations;
- The status of the Post Office Savings Bank Active Accounts;
- The status of the Post Office Savings Bank In-Active/Dominant Account;
- Transferring the Post Office Savings Bank Dominant Accounts to The Central Bank of The Bahamas;
- Implementation of the Point-of-Sale/Electronic Cash Receipting System to be in line with the in Public Treasury;
- Strengthening the Post Office delivery services and financial reporting throughout the country; and
- The Post Office capitalizing on opportunities for economic advancement and improved quality services to meet the various consumer needs.

The highlighted concerns are further detailed in the report. It is also important to note that, at the time of completion of this annual report, we are currently

engaged in a Comprehensive Audit of the Post Office, which encompasses the New Providence and the Family of Islands operations of postal delivery services and the Post Office Savings Bank. Upon completion, the outcomes to be subsequently reported.

FINANCIAL PERFORMANCE 2017 HIGHLIGHTS

6.02 Postal Delivery Services revenue generated in 2017 fiscal year totaled \$3.17 million (\$3,174,241), which is \$466,514 short of the budgeted \$3.64 million (\$3,640,755).

The \$446,514 revenue shortfall comprise of the Post Office inability to reach the revenue target for the following items:

- Sale of Stamps;
- Receipts from Postal Meters;
- Value Added Tax (VAT);
- Rent of Private Letter Boxes;
- Commission on Postal Money Orders;
- Payment for Foreign Mail Delivery; and
- Receipts in Cash for Repayments.

6.03 Overall, from the \$3.79 million generated in 2016, revenue is down in 2017 by 16% or \$622,160. In the previous Audit Report, recommendation was made to increase revenue by embracing revenue enhancement opportunities in the postal services market.

6.04 Although there was a 16% decrease in revenue, the \$3.17 million collected was 46% of the \$6.88 million (\$6,880,776) Post Office Department expenditure. Notably, the department contained cost by 7% or \$486,224 of the \$7.36 million expenditure budget (\$7,366,800). The comparative analysis schedule, that follows, depicts the revenue performance in relation to the budget and also actual expenditure.

POST OFFICE DEPARTMENT COMPARATIVE REVENUE ANALYSIS 2016/2017				
REVENUE ITEM HEAD: 51 /ITEM CLASSIFICATION	PROVISIONAL ACTUAL REVENUE 2015/2016 (\$)	PROVISIONAL ACTUAL REVENUE 2016/2017 (\$)	FORECASTED REVENUE 2016/2017 (\$)	REVENUE VARIANCE 2016/2017 (\$)
9074220 Stamp Tax - Post Office	5,410	4,643	7,700	(3,057)
9119100 Value Added Tax	114,470	102,048	135,000	(32,952)
9201500 Rent - Government Corporation	12,000	4,700	10,800	(6,100)
9211100 Interest from Investment			-	-
9233110 Sale of Stamps	929,776	712,224	1,000,900	(288,676)
9233120 Receipts of Postal Meters	1,070,417	721,127	850,000	(128,873)
9233210 Parcel Post Allowance	4,200	184,684	-	184,684
9233220 Payment for Foreign Mail Delivery	169,216	101,864	212,000	(110,136)
9233310 Rent of Private Letter Boxes	1,109,297	1,084,925	1,000,000	84,925
9233320 Receipts in Cash for Repayment	90,403	44,167	148,030	(103,863)
9233400 Commission - On Postal Money Orders	223,350	176,050	231,325	(55,275)
9233500 Miscellaneous Postal Revenue	49,312	37,348	45,000	(7,652)
9233600 Transfer of Mail (New Providence)	51		-	-
9233700 Storage Fees		2	-	2
9233800 Air Terminal Charges	17,516	-	-	-
9233900 Philatelic Materials	983	459	-	459
TOTAL REVENUE	\$ 3,796,401	\$ 3,174,241		
TOTAL EXPENDITURE	\$ 6,908,712	\$ 6,880,579		
REVENUE AS % OF ACTUAL EXPENDITURE	55%	46%		

POST OFFICE SAVINGS BANK OF THE BAHAMAS

6.05 Post Office Savings Bank Audited Annual Financial Statements

The Post Office Savings Bank is under the management of the control of the Postmaster-General. The Savings Bank Act mandates that the financial reporting of the annual operations be audited and tabled in Parliament. The details are presented in section 12 of the Act as follows:

“Annual accounts of the revenue and expenditure of the Savings Bank and of deposits received and repaid and interest credited to depositors during the year ended on the thirtieth day of June together with a statement of the assets and liabilities of the Savings Bank, shall, after being audited and certified by the Auditor, be laid upon the table of the two Houses of Parliament not later than the thirty-first day of December ensuing in every year and shall as soon as practicable thereafter be published in the Gazette.”

- 6.06 This mandate is not being executed by the Savings Bank management. In the absence of Audited Financial Statements the state of the financial affairs of the Savings Bank is unknown. In addition, the business activities and annual performance information is unavailable for the stakeholders and users of the financial information. The Government needs the information for decision making, to be in conformity with legislated mandate and to maintain accountability, transparency and good governance of the affairs of the nation.

We recommend that all efforts be made to have Audited Financial Statements prepared for tabling, as this is deemed a matter of urgency and required by law.

Management's Response

The Post Office management is keenly aware of the gravity of this matter, and acknowledges that our Ministry has given its support by facilitating initial steps to automating the banking, and other counter services of the Post Office. This process was stalled, with the recent economic downfall, however, efforts to achieve automation continues.

Post Office Savings Bank Accounts

- 6.07 The management of the Savings Bank Accounts records is not automated. The manual record keeping across the Post Office jurisdictions in New Providence to the Family of Islands makes it challenging to maintain real-

time information on the integrated system with volumes of transactions. We requested actual records on the status of the bank accounts but was unable to obtain the same. Management provided an estimation of the savings accounts as follows:

- 28,000 Savings Bank Accounts Estimated in Total;
- 19,000 of the Savings Bank Accounts Estimated as Active; and
- 9,000 Savings Bank Accounts Estimated as Inactive/Dominant

6.08 The estimated 9,000 Savings Bank In-Active/Dominant Accounts are required by law to be “turn over” to the Central Bank of The Bahamas. Post Office management informed us that contact was made with The Central Bank to proceed with this process, but was informed by the bank that the manual records had to be converted to electronic data.

We recommend automating the Savings Bank System and digitalizing the operations across the jurisdiction to advance accountability and maintain real-time records and to strengthen the Banking Control Financial Framework.

We recommend that the Savings Bank In-Active Accounts be converted to electronic data and “turn over” to The Central Bank.

Management’s Response

We note that the recommended automations will be facilitated upon completion of the current IT upgrade underway.

Modernization and Transformation of the Postal Services

6.09 In this digital world postal operators are faced with advancing delivery services with digital transformation and modernization of operations to remain relevant and maintain marketability in the competitive markets. The Commonwealth of The Bahamas Postal Services is no exception.

The ease of doing on-line business and providing stellar services in delivery of its products is supreme for the country. In this digital economy the manual way of doing business with the volumes of transactions coupled with domestic and global demands impedes progress and weakens the control network. The Post Office is basically manually operated and this affects the

efficiency and accountability of its operations in terms of services and records management.

Since 1974 The Bahamas has been a member of the Universal Postal Union (UPU), a specialized agency of the United Nations (UN) that aims to improve postal services throughout the world. As a member there are benefits to be had, such as being provided with technical assistance and other assistance with development projects to improve postal services and maintain quality global standards.

We recommend that The Commonwealth of The Bahamas capitalize on the available assistance from being a member of the Universal Postal Union.

Management's Response

We hope to complete the automation of all counter operations, featuring a cash receipting system, the use of credit and debit cards for payments, enhanced security and processing controls, and the promotion of customer satisfaction.

Reinvention of the Post Office to Address Global Change in a Digital World

6.10 In the digital world reinventing the Post Office services is paramount to embrace digital transformation, to improve customer services and to address the challenges, manage vulnerabilities and increasingly changing threats.

6.11 Faced with the reality that as technology evolves, so too does the demand of consumers' expectation for a seamless postal delivery services experience. Accordingly, we advocate digital transformation for the Post Office integrated systems.

We recommend the following to be aligned in tandem with the implementation of the advocated digital transformation:

- **Change design to maintain the relevancy of the Post Office for future sustainability, the reinvention of the Post Office;**
- **Maximization of technology to improve business processes to meet the demands of digitally-savvy customers and digitize their experiences to improve services and for optimization;**
- **Standardization of aspects of postal services to improve efficiency, effectiveness for economy and quality services output;**

- Embracing opportunities fueled by the electronic competition to maintain a niche in the postal sector;
- Advancing policies to address postal operations in a digital world;
- Strengthening the Postal Service Security Risk Management Framework to effectively manage vulnerabilities and increasingly changing threats; and
- Achieving greater interoperability of postal networks, while expanding the services market through alliances and partnership.

Management's Response

The Post Office Department will form an e-commerce team, comprised of senior level managers, who will be given a mandate to lead the progress of identifying, exploring, and determining best way forward to modernization and automation of our service product. We will seek the assistance of UPU, relative to identifying a comparable IT solution for integration of the parcel operation with that of the Custom product.

Overall the aim is advancing postal delivery services through capitalizing on the exiting potential opportunities in:

- Parcels Delivery Services
- Regulatory Transformation
- E-Commerce Postal Services
- E-Post
- Digital Delivery Services
- Pricing Process

6.12 The Postal Services are not automated and customers do not have on-line access to services inclusive of on-line payments for Rent of Private Letter Boxes.

We recommend that the modernization, transformation and digitization of the Postal Services be undertaken as a project to improve the quality of services, address the data maintenance concerns and maintain relevance in a digital economy to meet consumers' demands. Implement automation across the integrated systems to improve processes, client services and minimize manual work.

Management's Response

We hope to complete the automation of all counter operations, featuring a cash receipting system, the use of credit and debit cards for payments, enhanced security and processing controls, and the promotion of customer satisfaction.

CONCLUSION

6.13 The traditional way of doing business in the Postal Services Sector has been overtaken by E-commerce and advanced technology through digitization and Artificial Intelligence (AI). To keep up with current technology changes to meet the demands of digital consumers and remain relevant, warrants digital transformation of The Postal Services of The Commonwealth of The Bahamas.

We remain resolute in building capacity through our continuous audits and monitoring of the Post Office Department to provide results on the performance and present opportunities for continuous improvement in the quality and accountability of the operations. The optimism is for the improvement in postal delivery services to transform the Post Office into a "*Center of Excellence*". This is pivotal in fulfilling its national mandate in all aspects to maintain high rating in the world with respect to: reliability, reach, relevance and resilience; the four pillars of performance measure.

We extend our appreciation to the management and staff of the Post Office Department for their cooperation and courtesy rendered during the audit review.

Management's Conclusion

The Post Office Department remains cognizant of the fact that the traditional ways of doing business are fast becoming obsolete, and innovative measures, using available technology must be accessed and adopted if we are to expand our service product, strengthen management and accounting controls, and broaden our revenue base. A critical component to this effort was the successful engagement of agencies who are key players in the modernization process. This engagement was ratified via a signed Memorandum of Cooperation by the Post Office, Ministry of Finance, Ministry of Transport & Local Government, Customs and the Public Treasury.

We are resolute in our efforts to achieve our targeted levels of expanded product offerings, revenue intake, and enhanced service efficiency.



GAMING BOARD

THE GAMING BOARD

- 7.01 The Gaming Board is responsible for collecting basic and gaming taxes revenue. The Gaming Tax Act, 2014, Section 64 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 and paid only by casino operators.
- 7.02 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 Operators 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 earnings before interest, tax, depreciation and amortization (EBITDA).

Revenue Collection

- 7.03 The Gaming Board collected over \$34.9 million (\$34,916,697) revenue for casino tax and gaming houses taxes for 2017. This amount was slightly below the \$35 million budget by \$83,303. However, the actual revenue remitted to the Treasury, deposited to the Consolidated Fund Account and reflected in the financial statements was \$27,359,607. This amount was basically up \$1 million (\$ 1,000,738) from the 2016 figure as shown in the schedule below. The movement of the additional \$7.55 million (\$7,557,090) collected and retained is also presented.

GAMING TAX REVENUE ANALYSIS 2017				
HEAD 05 GAMING TAX	ACTUAL PROVISIONAL REVENUE 2016 (\$)	ACTUAL PROVISIONAL REVENUE 2017 (\$)	APPROVED FORECAST REVENUE 2017 (\$)	BUDGET VARIANCE 2017 (\$)
9051100 Casino Tax	26,358,869	27,359,607	35,000,000	(7,640,393)
Revenue Fees Withheld to Facilitate Subvention -Approved by Ministry of Finance		7,557,090		
Total Actual Revenue Collected		34,916,697	35,000,000	(83,303)

Analysis of \$7.55M Withheld to Facilitate Subvention Operational Installment

- 7.04 The Gaming Board is a State Owned Enterprise (SOE), accordingly subvention or subsidy is provided to assist with the operational expenses. The Gaming Board revenue fees and subvention are reported under the Ministry of Tourism and Aviation Head and Item. The monthly subvention for 2017 fiscal period was \$500,000.
- 7.05 The \$7.55 million (\$7,557,090) was retained to facilitate monthly subvention installments; to defray operational expenditure. The Ministry of Finance approved the Gaming Board to retain funds from the Revenue Fees as subvention for the periods specified in the schedule below.

ANALYSIS OF 2017 REVENUE FEES RETAINED TO FACILITATE SUBVENTION		
MONTHLY SUBVENTION PERIOD	AMOUNT APPROVED BY MOF (\$)	MOF APPROVAL DIRECTIVES FOR THE GAMING BOARD TO RETAIN FUNDS FROM THE REVENUE FEES
May, 2016 - June, 2016	1,057,090	Funds retained to cover May and June, 2016 subvention.
July 2016 - June 2017	6,000,000	Funds retained to cover the budget approved amount of \$6M subvention for 2016/2017 operational expenditure.
July, 2017	500,000	Funds retained to cover July, 2017 monthly subvention.
Total Revenue Fees Retained for Subvention	7,557,090	

- 7.06 We noted that this process, although approved, did not recognize the reporting of subvention in the respective budgetary period 1st July, 2016 to 30th June, 2017.
- 7.07 The revenue was reported net of the subvention retained and not on the gross basis as required by Section 4 of the Financial Audit and Administration Act 2010 and in accordance with International Public Sector

Accounting Standards (IPSAS) guidelines. Hence, the \$7.55 million (\$7,557,090) was not reported in the financial statements.

- 7.08 The \$7,557,090 retained as operational installment was not reported under the appropriate Head/ Item 67: 0911993, to account for the Gaming Board Operational Expenditure. The related Revenue Fees were not included in the Casino Tax Revenue Head/Item 67:9051100. Thus, recurrent revenue and expenditure were understated for Head 67: Ministry of Tourism and Aviation.
- 7.09 Strengthening internal controls over financial reporting between the government entities (The Gaming Board and The Ministry of Tourism and Aviation) is imperative. In this way, the financials for the entities would be complete for fair presentation.
- 7.10 **We recommend compliance with the Financial Audit and Administration Act 2010 and IPSAS for the appropriate accounting and reporting of Gaming Revenue Fees and Subvention. Accordingly, the transactions should be captured under the designated revenue and expenditure Head and Item to:**
- **Ensure accurate financial reporting;**
 - **To enhance the budget process;**
 - **To facilitate better comparison between fiscal periods.**

Gaming Tax Remittances to the Consolidated Fund

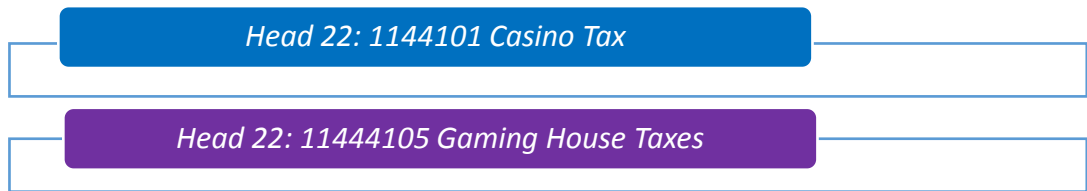
- 7.11 In accordance with Gaming Board Act 2014 and Regulation *section 192: Payment of taxes by the holders of gaming, proxy gaming, mobile gaming and restricted interactive gaming licences* are required to:
- Submit to the Board monthly tax return and ;
 - Pay into the bank account of the Board the amount of tax due to the Consolidated Fund calculated in the tax return.
- 7.12 This process is followed by the Gaming Board, however, there were delays in remitting the funds which resulted in over \$4.6 million (\$4,606,100.89) collected in 2016; but reported in 2017.
- 7.13 We also noted that for 2017, several Casino and Gaming Houses Operators did not remit the returns for May until July and August of 2017. Due to the

lateness, revenue totaling over \$2.88 million (\$2,882,582) was delayed from being reported in 2017 fiscal year.

- 7.14 In our previous audit report we discussed with management the initiative to be taken to remit revenue in a timelier manner, for the actual performance to be recognized within the fiscal period.
- 7.15 During the audit, we follow-up on the same, and noted to date, corrective action has been taken; as the Gaming Board is now remitting revenue to the Consolidated Fund in a more timely fashion.
- 7.16 We deemed this effort as significant improvement, to report and have cash flow available for the intended purposes; to assist with recurrent operations and timely decision-making.

Gaming Tax Revenue Classification

- 7.17 In the past, gaming tax revenue was combined and reported in the financials as Casino Tax. We noted the same, and in our previous audit reports recommended that the Casino Tax and Gaming Houses Taxes be reported under separate item.
- 7.18 We follow-up on the recommendation and noted action was taken; which we deemed commendable. Thus, to date, gaming tax revenue is required to be classified under the Treasury Department Head and Item as follows:



- 7.19 Presenting the gaming tax component by the specific revenue stream, enhances budgetary performance monitoring for decision-making and provides a complete perspective for other users.

Conclusion

- 7.20 The improvement of the Gaming Board in collecting and reporting tax revenue is noteworthy, as well as, the taxpayers reporting the returns and payments in accordance with legislation.
- 7.21 Continuous effort is noted with the progress underway in technological advancement for monitoring the gaming operations in a digital economy. We commend the initiatives taken by the Gaming Board to strengthen the internal control system.
- 7.22 We take this opportunity to express our gratitude to the Gaming Board for the cooperation and courtesies extended by management and staff during the audit.

Management's Response

We have reviewed the report and have no amendments.



MINISTRY OF FINANCE

MINISTRY OF FINANCE

OUTSTANDING BASIC & GAMING TAXES FOR CLOSED CASINOS

8.01 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 outstanding taxes as shown in the Schedule and Payment of Basic and Gaming Taxes are 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.



SECTION NINE

GRAND BAHAMA

GRAND BAHAMA

Executive Summary

9.01 For this fiscal reporting year 2016/2017, the following audits were performed on the various departments/ministries on the island of Grand Bahama:

Departments



Ministry of Transport and Local Government



The recurrent expenditure for the Ministry of Grand Bahama for the fiscal year 2016/2017 totaled \$12.17million (\$12,170,138). The schedule that follows shows that the actual expenditure went under the budget by \$564,993. From the previous financial year, expenditure increased by over \$2 million (\$2,091,439); it went up by 21%.

Ministry for Grand Bahama Expenditure Comparative Analysis 2016-2017

Fiscal Period	Provisional Actual Expenditure (\$)	Approved Estimate (\$)	Budget Variance (\$)
2015 - 2016	10,078,699	14,958,863	4,880,164
2016 - 2017	12,170,138	12,735,131	564,993

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regarding the increase in expenditure, we noted and considered that the additional expenses incurred were due in part to the devastation of Hurricane Matthew, October 2016.

Passport Office – Freeport Grand Bahama

Revenue

Boundary Documents

9.02 We were unable to satisfactorily achieve our audit objectives, particularly as it relates to boundary documents. Although we were able to account for all general receipts books declared by the client, an objective audit trail of receipt books issued to the department requires notification from the issuer rather than the client.

We recommend notification of receipts books issued to the Grand Bahama Passport Office be sent directly from the issuer to OAG Department in order to be considered an objective source.

Accuracy of Fee Assessments

9.03 We were unable to verify that fees paid, according to the general receipts, were consistent with services requested due to the following:

- Several files requested for examination could not be located; and
- Instances where the applications supporting the receipts for “rush fees” did not have record of the request for the service. Need clarity

We recommend supporting documents be properly maintained and made available upon request by the OAG. There must be a clear audit trail of the service requested to determine the accuracy of the assessments.

Receipting

9.04 Revenue was partially reported each day. Under the current system, it is not possible to determine what the actual day's collections should have been. Further, by post-dating the receipts written after 2:30 pm to the next day, revenue is at risk for potentially being reported as much as 48 hours after collection.

We recommend that revenue collected each day should be deposited within 24 hours, therefore management should run the day's final (Z) total after the last transaction each day. This would eliminate the need for post-dating receipts and provide a clear audit trail of collection dates and amounts.

We recommend that the Passport Office Department should give priority in ensuring that revenue is safeguarded, by making request for bank escorts to be provided at the end of the day.

Dual Receipting

9.05 The current system requires Cashiers to write an official general receipt and enter the payment in the Cash Register reconciling two sources at the end of the day. The potential for errors such as date discrepancies, ink recorded receipts and payment value discrepancies increases in this system.

We recommend a fully automated Point-of-Sale (POS) Cash Register System should be implemented as it would eliminate the need for double receipting and reconciliation, thereby improving efficiency.

Summarizing Daily Revenue Collections

9.06 Daily revenue records were not reconciled. Revenue is at risk of being improperly reported.

We recommend officers responsible for the preparation or posting of the Cashbook and Revenue Vouchers exercise vigilance. Supervisors must verify that these records are accurately summarized and reconciled daily.

Cashing Process Controls

9.07 Discrepancies during the reconciling process are not easily attributable to the responsible cashier, who is not required to sign off at each shift change.

We recommend cashiers sign off at shift changes, which would strengthen accountability in the cashing process.

Accuracy of Public Treasury's Records

9.08 Potential reconciling discrepancies of unsupported revenue recorded in Public Treasury's Reports.

We recommend revenue recorded in the Public Treasury's Reports which did not originate from the Freeport Passport Office be investigated and evidence provided in support of the transaction or correction.

Management Action Plans and Actions

9.09 At a subsequent review of a Cash Count July 24, 2018, we noted that Management implemented the recommendation to have all cashiers sign off at each shift change. Management has agreed to request change in time for Police escort to facilitate one (1) deposit at the end of each business day. Management also consented to inquiring about the steps necessary to fully automate Cash Register System to have the Point-of-Sale (POS) in place.

Bahamas Immigration – Grand Bahama

Revenue

Validity of Work Permits

9.10 We were unable to obtain printouts of the population of permits issued on Grand Bahama from the Electronic Identification (EID) system. As a result, we could not determine that the work permits issued during 2017 fiscal year were valid and revenue accurately assessed. As an alternative method, we used the department's Permit Issuance Register as a source to determine the number of permits issued on Grand Bahama.

The Permit Issuance Register is a manual document. This increases the risk of errors of omission or errors of commission in its maintenance. There were

instances where work permit fees were paid after the commencement date of the permit validity period.

We were unable to confirm the population of permits according to the electronic registration system either, by online access or printouts from the EID system; therefore, we could not confirm the value of total revenue reported to the Public Treasury of \$14.95 million (\$14,957,468.23).

Recommendations

We should be provided with online access to the EID system and reports to obtain a clear audit trail.

There should be a clear audit trail to ensure that fee assessments align with the current fee schedule. Once permits are approved, permit fees should be paid prior to commencement of the permit validity period to ensure that government revenue is collected in a timely manner and is safeguarded.

Revenue Collections Accuracy

9.11 In examining the revenue collections process, we noted the following exceptions:

- Revenue collected was not posted in the Cashbook on the same day.
- Revenue errors in posting to the Daily Revenue Summary report resulted in misclassification of Processing Fees.
- There were other exceptions such as discrepancies in payee name, payment amounts, differences in receipts dates, voided and illegible receipts, and delays in recording and depositing revenue.

Recommendations

To ensure that collected revenue is accurately posted in the Cashbooks and recorded in the Daily Revenue Reports, the responsible officers must exercise vigilance in the performance of their duties and a Supervisor should review and reconcile the records at the end of the day.

Funds collected must be deposited within twenty-four (24) hours and all deposits verified by a senior officer to ensure that government revenue is safeguarded.

Revenue recorded in the Actual Revenue Detail Reports -

9.12 Revenue valued at **One Hundred Fifty Four Thousand, Five Hundred Ninety Eight Dollars and Three Cents (\$154,598.03)** was recorded in Treasury's Reports but could not be agreed to the Immigration Department's records. For example:

The schedule below is a summary of revenue valued at **Fifty-Three Thousand, Five Hundred Forty-Eight Dollars and Seven Cents (\$53,548.07)** recorded in Treasury's April, 2017 Actual Revenue Detail Report, which could not be agreed to revenue collected by the Grand Bahama Division of Bahamas Immigration (the comparison or reconciliation of what was recorded at the Immigration Department vs. Treasury records).

IMMIGRATION DEPARTMENT GRAND BAHAMA		
Head & Item No.	Description	Amount (\$)
30-9191391	Immigration Fees	173.07
30-9191392	Naturalization	100.00
30-9191393	Residency Fee	51,725.00
30-9191394	Work & Resident Permit Fee	1,300.00
30-9191395	Homeowner Card	250.00
Total		53,548.07

We recommend all unsupported items in the Public Treasury's monthly reports be investigated and appropriate action taken for a true record of the value of revenue collected by the Grand Bahama Division of Bahamas Immigration.

Public Treasury Department - Grand Bahama Expenditures

Population Completeness of Payment Vouchers

9.13 We were unable to confirm the total population of payment vouchers using the batch tally tapes due to the following:

- 1) The tally tapes included amounts which could not be agreed to the payment vouchers presented;
- 2) Fully executed payment voucher amounts were not included in the tally tape listing.

We continue to recommend that batch tally tapes and payment vouchers be reconciled for a clear audit trail of the population of payment vouchers.

Proper Classification of Expenditures

9.14 We noted that the classification codes recorded on the payment vouchers differed from the codes captured in the batch reports.

To ensure agreement of classification codes between the manual and electronic documentation, due diligence must be exercised to capture the data accurately and provide a clear audit trail. We recommend the same.

Verification of Vendor Assignments

9.15 We were unable to confirm that payments valued **One Million, Five Hundred Fifty-Five Thousand, Seven Hundred Seventy-Eight Dollars and Thirty-Three Cents (\$1,555,778.33)** were correctly assigned to vendors due to missing batch reports. For example:

Nine (9) batches included sundry payments to pensioners totaling **Eight Hundred Thirty-One Thousand, Three Hundred Ninety-One Dollars and Twenty-Eight Cents (\$831,391.28)**, made on behalf of the Public Treasury, which did not include batch reports to confirm that vendor names and numbers recorded on the payment vouchers matched the batch report recordings.

We recommend that all Treasury Batch Reports are filed for a clear audit trail of accurate vendor assignments from the manual documents to the electronic system.

Accuracy of Payments Recorded in the Check Register

9.16 We continue to observe that the alternate procedure of comparing payment values per the payment vouchers to the Check Registers is required; because

the check stubs are manually recorded rather than printed through the electronic system.

We noted that a payment valued **Two Thousand, Eight Hundred Seventy-Five Dollars and Fifty Cents (\$2,875.50)** was listed in the Check Register as cancelled, however, the check was not on file and the Check Register total was not amended.

Additionally, we noted that payments requested for officers with the same last name differed when compared to the Check Register.

We continue to recommend that check stubs be generated electronically as a clear audit trail of the accuracy of payments. Further, we recommend vigilance when entering payments into the electronic system.

Strengthening the Expenditure controls

9.17 We concluded that strengthening the expenditure controls inclusive of the reconciliation process is imperative to maintain accuracy and legitimacy of all transactions. To further address the expenditures concerns we recommend process improvement.

Recommendation

Boundary payment vouchers should support payments recorded in the Expenditure Detail Reports.

Payments recorded should have sufficient audit trail that is traceable to the boundary document.

Evidence that shows the effect on the Expenditure Account transactions, which do not appear in the Expenditure Detail Reports, should be available.

Changes in expenditure classification codes should be reflected on the manual document rather than amended following electronic posting.

Recurrent Account Bank Reconciliation

9.18 Review of the Bank Reconciliation Process disclosed the following:

- The Outstanding Check List is not updated to account for replacement cheques;

- Stale-dated cheques are not removed from the Outstanding Check List;
- Checks written and outstanding are not included on the Outstanding Check List;
- Bank Reconciliation Statement included unidentifiable amounts as reconciling items.

In order to ascertain assurance that the bank account has been properly and accurately reconciled, Outstanding Check List must be properly up-dated to reflect:

- Replacement check numbers;
- The status of checks written monthly;
- Timely removal when checks become stale-dated;
- Timely resolution of bank discrepancies, within thirty (30) days.

All year-end adjustments must be reviewed by the Treasurer to determine the appropriate action needed to bring the bank account and General Ledger balances into agreement.

Department of Housing - Grand Bahama (Current) Building Contracts

Population Completeness of Contracts Issued

9.19 We noted thirty-six (36) homes were contracted for construction. One of the contracts on file, for a privately owned home was cancelled, however; the written documentation as evidence was not affixed.

We recommend that contract files are promptly up-dated, in the event of cancellation, for a clear audit trail.

Proper Documentation

9.20 Contractor files were incomplete due to the following missing records:

- Certificate of Good standing;
- Witten Mobilization Request;
- Stage Payment Requests (1, 2, 3, 4 or 5);

- Retention Payment Request;
- Claims for Payment Document;
- Department of Housing Inspection Report;
- Department of Housing Payment Control Record;
- Grand Bahama Port Authority Inspection Certificate.

We recommend that the contract files be properly up-dated with the required documentation for a clear audit trail. Further, notwithstanding the notification that the responsibility for payments to contractors no longer rests with the Bahamas Mortgage Corporation, the Grand Bahama office should receive periodic up-dates confirming that payments per the Building Inspectors' requests have been made.

Mobilization Payment Requests

9.21 We also noted 16 instances where mobilization payment requests by contractors exceeded 10% of the contract price.

We recommend Supervisory Review Process of the mobilization payment requests for mathematical accuracy for a clear audit trail.

Department of Housing - Grand Bahama Boundary Examination Revenue

9.22 The results of this examination were unsatisfactory as we were unable to reasonably achieve our audit objectives. A Receipt Book Register should be prepared and properly maintained for a clear audit trail of receipt books issued to the department.

Collection, recording and depositing functions must be properly segregated to strengthen the Internal Controls. Revenue should be summarized at the back of the last receipt for the day to ensure accuracy and a clear audit trail. Receipt dates must be accurately posted in the Cashbook to evaluate timeliness of deposits.

Deposits should be verified duly signed and dated by a second officer. Bank deposit dates must be easily verifiable, and funds collected must be deposited within 24 hours of collection for compliance with Internal Control guidelines.

Revenue collected and deposited on Grand Bahama Island should be accounted for in the local Public Treasury's Reports, for a clear audit trail.

URBAN RENEWAL DEPARTMENT – GRAND BAHAMA

In Grand Bahama, the Ministry for Grand Bahama Accounts Department performed the payment function for the Urban Renewal Office. Operational Expenses and Contractual Salaries were executed through the Ministry for Grand Bahama (Budget Line Item No.892300 and No.11100, Department of Urban Renewal).

Contractual Employees were hired by the Deputy Director and salaries paid from the general line item No. 11100/Salary Contract Workers (Monthly) in the Ministry for Grand Bahama's Budget. The Deputy Director was responsible for exercising discretion over operational costs. Requisitions were submitted to the Permanent Secretary for payment.

Method

9.23 Requisitions submitted included combined expenditure for the Ministry for Grand Bahama and Urban Renewal. From this population, we identified a target population of requisitions for the Department of Urban Renewal from which we selected a 50% sample for examination.

9.24 The following summary shows funds allocated and expended per fiscal year.

Description	2016 \$	2017 \$
Budget Total	2,000,000.00	2,000,000.00
Supplement Funding		750,000.00
Total Funding	2,000,000.00	2,750,000.00
Less:		
Small Home Repairs	1,462,219.49	2,396,564.68
Utilities	68,810.42	31,874.25
Rent (Center Operations)	72,097.50	80,767.50
Office Supplies	47,003.22	15,992.84
Other*	140,742.63	152,246.27
Total Expenditure	1,790,873.26	2,677,445.54

Variance	209,126.74	72,554.46
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**Includes expenditure such as fuel, airfare, lodging, groceries, drinking water, transportation upkeep, etc.*

9.25 Total expenditure recorded represents calculations by our audit team. When compared with annual expenditure, we noted the following:

Description	2016 \$	2017 \$
Total Expenditure/Audit	1,790,873.26	2,677,445.54
Total Expenditure/Finance Officer	1,791,768.12	2,679,608.44
Variance	(894.86)	(2,162.90)

9.26 The examination to ensure population completeness of expenditure revealed the following:

- (i) There were a number of instances where the payment amount recorded on the requisitions differed from the amount recorded on the Batch Register. We observed that in each instance, the recorded Batch Register total reflected the requisition payment amount.

We recommend that errors on the batch registers are corrected in a timely manner for a clear audit trail.

9.27 During the examination to ensure that disbursements were properly authorized we observed that there were twenty-two (22) unauthorized requisitions valued **One Hundred Eighty-Seven Thousand, Seven Hundred Forty-Seven Dollars and Eleven Cents (\$187,747.11)**.

We recommend that all requisitions are properly authorized for a clear audit trail of approved expenditures.

Small Home Repairs

A. Jurisdiction

9.28 Documents supporting funding for the Department revealed that the Deputy Director was given oversight for small repairs on the following islands: Bimini, Cat Island, Exuma, North Abaco/Grand Cay, North

Andros/Berry Islands, South Andros/Mangrove Cay, and South/Central Eleuthera.

B. Verification of Licensed Contractors

In an effort to confirm that contractors participating in the small home repairs program were legitimately licensed, we requested supporting documents. The documents submitted included such records as Business Licenses, VAT Registration (including TIN numbers) and National Insurance Board Compliance Letters. Supporting documents for twenty-two (22) contractors were not provided.

We recommend licensing records be maintained and produced for inspection for a clear audit trail.

Tender Process

9.29 Supporting documents for small home repairs on Grand Bahama typically included three (3) quotations, the contractual agreements and before and after images of the repairs. We were not provided with details of the tender process, but noted that the same contractors appeared to have participated. We noted that quotations submitted used similar wording.

We inquired about the format of the quotations with the Under Secretary in the Ministry for Grand Bahama who advised that he was not sure whether there was a template used by the Ministry for Grand Bahama, or whether the submissions came from the Department of Urban Renewal. We were unable to inquire with the staff of the Department of Urban Renewal because the office was closed.

We found twenty-three (23) instances totaling **Four Hundred Sixty-Three Thousand Dollars (\$463,000.00)** where supporting documents for small home repairs conducted on Grand Bahama did not include evidence of a bid from the contract awardee. In these instances, the supporting document from the awardee was an invoice.

We recommend that supporting documents include evidence of a proper bidding process for a clear and objective audit trail.

Contractual Agreements

9.30 We observed that Contractual Agreements for small home repairs included a section for the signature of the Ministry of Works Inspector. It was noted that repairs conducted on Grand Bahama, were confirmed through the Officer in Charge at the Ministry of Works that the signature affixed matched the name of the authorized officer and that the signature represented the officer's witness that the scope of works were satisfactorily completed according to the contractual agreement. We noted instances where requisitions for small home repairs performed on Abaco Island were:

- (i) Supported by a letter from the Officer in Charge of the Ministry of Works/Freeport confirming receipt of the inspector's report, or
- (ii) Supported by a contractual agreement signed by the designated inspector.

However, we noted that there were requisitions which did not indicate inspection by the Ministry of Works.

9.31 Contractual agreements for small home repairs conducted on the remaining Family Islands not signed by a Ministry of Works Inspector are as listed:

Family Island	Batch Number	Requisition Number	Requisition Date	Payment Amount
Abaco	77/16	1059	13-04-17	\$63,500.00
Andros	51/16	636	13-01-17	\$20,775.00
	69/16	902	15-03-17	\$10,000.00
Cat Island	136/15	1389	31-05-16	\$38,216.25
Exuma	89/16	1237	10-05-17	\$33,000.00

Inquiry with the Under Secretary in the Ministry for Grand Bahama revealed that the Administrator was the witness to satisfactory completion of scope of works in the absence of a Ministry of Works Inspector. The Under Secretary conceded that the Administrator would have limited technical knowledge. He further suggested that in the event that a resident engineer was available, the Administrator should have utilized the services of the engineer.

There was no evidence that homeowners were required to attest to completion of home repair projects.

- There were eighteen (18) instances where repairs were valued at **Two Hundred Three Thousand, One Hundred Forty-Seven Dollars and Twenty-Seven Cents (\$203,147.27)** and the payment amounts recorded on the requisitions for Family Island Contractual Repairs could not be agreed with the supporting documents.
- Further, we noted that supporting documents did not include a dollar value, also the amount recorded on the supporting documents did not correspond with the amount paid per the requisition.

We recommend that Ministry of Works or individuals who are technically qualified perform Small Home Repairs Inspections in order to mitigate liability risks. Homeowners should also confirm that repairs were actually performed. Supporting documents must record a payment value which corresponds with the requisitions.

Before and After Photos

9.32 The Photos that were presented for Grand Bahama Projects showed that the images were printed from the computer. We noted that the images rarely included distinguishing property features and tended to look duplications of the same projects. We were unable to comment on the integrity of the images.

Before & after images were not included in supporting documents for small home repairs conducted on Family Islands

We recommend that photos be included among supporting documents for all requisitions. However, the images should include distinguishing property features and details for a clear audit trail.

Home Repairs Post Hurricane Matthew

9.33 We observed ninety-five (95) home repairs valued **One Million, Seven Hundred Fifty Thousand, One Hundred Seventy-One Dollars and Seventy-Two Cents (\$1,750,171.72)** following the passage of Hurricane Matthew as shown in the sample that follows.

Batch Nos.	Requisition No.	Requisition Date	Payment Amount
Abaco			
77/16	1059	April 13, 2017	\$63,500.00
87/16	1115	Date not recorded	\$55,500.00
Andros			
60/16	770	February 8, 2017	\$25,000.00
82/16	1143	April 24, 2017	\$32,500.00
Cat Island			
44/16	549	December 13, 2016	\$4,031.25
72/16	950	March 20, 2017	\$9,373.78
Exuma			
89/16	1237	May 10, 2017	\$33,000.00
Grand Bahama			
35/16	449	November 2, 2016	\$20,000.00
61/16	782	February 13, 2017	\$17,000.00
89/16	1241	May 10, 2017	\$15,000.00

Both the Permanent Secretary and the Officer in Charge of the Ministry of Works advised that these repairs should have been classified as hurricane repairs which were the responsibility of the National Emergency Management Agency (NEMA). According to the Permanent Secretary, the Deputy Director was given authority to oversee the restoration process by the Minister responsible for Hurricane Restoration.

We recommend that agencies function according to their mandate to ensure that the prescribed oversight, funding and accounting are provided.

9.34 There were thirty-nine (39) requisitions valued **Thirty-Seven Thousand, Seven Hundred Sixty-Two Dollars and Fifty Cents (\$37,762.50)** for rental of Urban Renewal Centers where the Department of Urban Renewal's stamped date pre-dates the invoice dates. A sample of these transactions are shown in the schedule that follows.

Batch No.	Requisition No.	Requisition Date	Invoice No.	Invoice Date	Urban Renewal Stamp Date	Amount \$
33/15	00261	Sept. 25, 2015	042	Oct. 1, 2015	Jul. 1, 2015	900.00
48/15	00390	Nov. 4, 2015	U-Nov15#19	Nov. 1, 2015	Sept. 9, 2015	1,397.50
49/15	00432	Nov. 12, 2015	00009	Dec. 1, 2015	Jul. 31, 2015	700.00
112/15	01067	Apr. 7, 2016	49	May 28, 2016	Jan. 15, 2016	900.00
112/15	01077	Apr. 8, 2016	029	June, 2016	Jan. 1, 2016	625.00
08/16	00108	Aug. 10, 2016	52	Aug. 28, 2016	Jan. 15, 2016	900.00
29/16	0361	Oct. 14, 2016	22	Oct. 31, 2016	Jan. 15, 2016	1,500.00

We recommend that requisitions are supported by invoices for a clear audit trail.

9.35 Batch No. 0038/16 includes requisition Nos. 201600-0484 dated November 14, 2016 in the amount of **One Thousand, Eight Hundred Forty-Seven Dollars and Thirty-Nine Cents (\$1,847.39)** which is supported by three (3) original cash register receipts representing billing for food supplied. Cash register receipt No. 661202 includes illegible line items therefore the total could not be verified using the original receipt. The supporting documents included photocopied versions of the receipts. The receipt in question manually recorded the total **Five Hundred Twenty-Two Dollars and Forty-Five Cents (\$522.45)**.

We recommend that receipts are scrutinized in a timely manner to ensure legibility. Duplicate receipts must be requested and certified for a clear audit trail.

9.36 During the examination to ensure that disbursements were mathematically accurate, we noted the following:

- (i) Requisition No. 1425 dated June 13, 2016 was supported by documents which lists contracts awarded totaling **Sixty-Five Thousand, Thirty-Seven Dollars and Fifty Cents (\$65,037.50)**. Fifty percent (50%) mobilization or **Thirty-Two Thousand, Five Hundred Eighteen Dollars and Seventy-Five Cents (\$32,518.75)** was requested

but the requisition payment amount was **Sixteen Thousand, Two Hundred Fifty-Nine Dollars and Thirty-Eight Cents (\$16,259.38)**. (Re: Batch No. 139/15).

- (ii) There were instances where invoice values exceeded the payment amount recorded on the requisitions.

We recommend that payment amounts per the requisitions are in agreement with supporting documents for a clear audit trail.

9.37 The examination to ensure that expenditures were accurately summarized (classification of expenditure) revealed seven (7) requisitions valued **Thirty-Seven Thousand, Eight Hundred Forty-Nine Dollars and Sixty-Three Cents (\$37,849.63)** which did not have the department's Head and Item number recorded.

We recommend that all requisitions include Head and Item numbers for a clear audit trail.

9.38 The examination to ensure that all other payments were accurately summarized by the Public Treasury was not achieved for the fiscal year 2016/2017, as the Treasury's Records were not produced for this period.

Other exceptions included:

- (i) The payee's name recorded on the requisitions differed from the name recorded on the Check Register. However, the same Vendor ID Number was recorded on the same document.
- (ii) The 2015/2016 fiscal year where the check numbers recorded by the Ministry for Grand Bahama staff did not agree with Treasury's Check Registers. However, we were able to satisfactorily determine the correct check number after further investigations.

We recommend that a Supervisor verifies the accuracy of check numbers to ensure that payments facilitated by the Treasury matched with the records of the Ministry for Grand Bahama for completeness and verification.

Salaries/Contractual Workers

9.39 Salaries of the Department of Urban Renewal Employees were paid from the general Item No. 11100/Salary/Contract Worker (Monthly) included in the Ministry for Grand Bahamas' Annual Budget. Annual Budget Allocations were:

2015/2016: \$1,926,050.00

2016/2017: \$1,971,050.00

- 9.40 Our efforts to confirm total annual salaries paid to Urban Renewal Employees by the Public Treasury were unsuccessful because the Public Treasury was unable to produce payroll records for August, 2015 through June, 2017. We were referred to the Ministry for Grand Bahama. Records were submitted for the 2016/2017 fiscal year; however, the payroll for April 2017 was missing. At the time of this report, the records for the 2015/2016 fiscal year remained outstanding.

We recommend that as the Public Treasury is ultimately responsible for salary payments, payroll details should be maintained by Treasury for a clear audit trail.

Confirmation of Legitimate Employment

- 9.41 Signatures affixed to the employee contracts from the Treasury were recorded in black ink making it difficult to distinguish original contracts from photocopied contracts.

We observed nineteen (19) instances where the contracts of Family Island Employees were photocopied which bore copied employee and witness signatures. All other signatures (on each contract) appeared to be ink recordings. The documents were sealed by the Ministry for Grand Bahama and stamped by the Public Treasury.

CONCLUSION

- 9.42 The results of this examination were not satisfactory.
- 9.43 At the boundary, errors on the batch registers must be corrected in a timely manner. Requisitions must be properly authorized.
- 9.44 There were inadequate controls in place to manage the scope of Small Home Repairs Operations.
- 9.45 There should be evidence that contractors participating in the small home repairs program were properly licensed and documentation should be maintained and produced for inspection.
- 9.46 Expenditures for small home repairs must include evidence of a proper bidding process. Project inspections should be facilitated by the Ministry of

Works Inspectors or technically qualified individuals and homeowners should be required to attest to work done.

- 9.47 Documents submitted for payments to contractors must record a payment value which corresponds with the requisitions.
- 9.48 Photos submitted as evidence of repairs should be included among supporting documents for all requisitions and the images should include distinguishing property features and sufficient details.
- 9.49 In the event of national emergencies, the appropriate agency should conduct home repairs according to their mandate to ensure that the prescribed oversight, funding and accountability are provided.
- 9.50 Proper supporting documents must include invoices rather than quotations.
- 9.51 Receipts must be scrutinized in a timely manner to ensure legibility.
 - (i) Illegible receipts should be supported by duplicates from the vendor which have been properly certified by an authorized department representative.
 - (ii) The responsible officer must also scrutinize supporting documents to ensure mathematical accuracy.
- 9.52 All requisitions must record the Department Head and Item Number.
- 9.53 Original employment contract signatures should be affixed in blue ink rather than black ink so the original are easily discernible.
- 9.54 The responsible officer must ensure that regulated salary deductions are calculated in compliance with the regulatory agency guidelines and that employment records include sufficient details to determine compliance with regulatory guidelines.



FAMILY ISLANDS

BIMINI AND CAT CAY DISTRICTS

10.01 We examined the accounts of the Bimini & Cat Cay Districts for the period December 2014 – June 2017.

Findings and Recommendations

Central Government Recurrent Account

10.02 During our examination, we observed that the Central Government Cash Book (27801 – 27850) was posted to May 31, 2017 and was not properly maintained; the expenditure total along with the carried forward balance was not indicated in the Cashbook.

10.03 **We recommend that the Financial Regulations (Chapter 359) Subsections 4 and 5 which states that “An Accounting Officer shall be subject to keep books and records,” be followed. In addition, “Any person who comes into charge, custody or control of public moneys shall become responsible as though he had been appointed an Accounting Officer.”**

10.04 During the course of our examination, we observed that the Central Government Cashbook for the month of July 2014 indicated a remittance amount of \$100,000. However, the Treasury’s General Ledger showed that the amount of \$100,000 was remitted for the Deposit Expenditure Account that was recorded in the Expenditure Cashbook.

10.05 **We recommend that the Cashbook be properly maintained with remittances recorded in the correct Cashbook and steps be taken to minimize errors.**

10.06 During our review of payment vouchers, we noted the following:

(a) Some vouchers did not indicate the payment number or amount.

(b) Some vouchers did not have adequate supporting documents attached, for example: receipts, time sheets and contracts; and

(c) Head, Block, Activity and Line item numbers were not indicated on some payment vouchers.

10:07 **We recommend that:**

(a) All payment vouchers with detailed information (i.e. payment number and amount) be provided to substantiate all transactions.

(b) Adequate supporting documents/invoices be attached to all payment vouchers to support payments made;

(c) All payment vouchers be duly completed prior to payments being made.

Contents of Safe

10:08 During our verification of contents of the safe, we observed cash in the amount of \$7,084.10 in twelve different envelopes. Three of these envelopes indicated that cash were earmarked for various governmental agencies, while one envelope contained a “float” in the amount of \$29.30 that was not approved by the Treasury Department. The others were not identified as shown in the table below:

DATE	PARTICULARS	AMOUNT \$
21-07-17	Royal Bahamas Police Force	30.00
18-07-17	Bimini Clinic	970.00
N/A	Road Traffic Department	943.15
12/7/2017	Government Float	29.30
N/A	Envelope not identified	185.00
21-07-17	Envelope not identified	640.00
13-07-17	Envelope not identified	340.00
14-07-17	Envelope not identified	355.50
20-07-17	Envelope not identified	1,054.00
19-07-17	Envelope not identified	50.00
18-07-17	Envelope not identified	2,057.15
17-07-17	Envelope not identified	430.00

TOTAL	7,084.10
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We recommend that cash in the amount of \$7,084.10 be deposited to the bank without undue delay and copies of the deposit slip along with properly documented receipts be provided.

Deposit Fund Account

10:09 During the course of our examination, we noted that the Deposit Fund Income Cashbook was recorded to May 2017.

We recommend that the cashbook be brought up to date and be maintained on a monthly basis.

10:10 Payment with respect to civil matters and cash maintenance, posted in the Deposit Fund Cashbook could not be verified; the reason being was that the room containing the deposit receipt books was locked. We were informed by staff that the key had been misplaced and could not be located. The Administrator was informed and instructed the staff of the urgency to have the key found however; at the end of our review the room remained locked.

We recommend that the deposit receipt books be produced for audit review.

10:11 As a result of a review of Revenue Receipt Vouchers for the period January through June 2017, we noted that revenue not accounted for totaled Nineteen Thousand, Seven Hundred and Forty Eight Dollars and Sixty Two Cents (\$19,748.62). A summary of details is as follows:-

MONTH /YEAR	REVENUE RECEIPTS TOTAL \$	CASHBOOK TOTAL \$	DIFFERENCE \$
Jan-17	25,441.36	23,943.63	1,497.73
Feb-17	26,787.47	25,190.51	1,596.96
Mar-17	32,930.02	25,297.43	7,632.59
Apr-17	30,637.85	29,069.73	1,568.12
May-17	26,279.29	23,510.73	2,768.56
Jun-17	35,141.21	30,456.55	4,684.66

TOTAL	177,217.20	157,468.58	19,748.62
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We view these differences to be a matter of concern as they represent funds that were not deposited to the bank account and recommend that the issue be handed over to the police for further investigation.

10:12 During the course of our examination, we noted that the Consolidated Fund Account Cashbook was not being properly maintained. We noted that a high volume of General Receipts were not posted in the Cashbook. The majority of these receipts remained outstanding covering the period December 2016 through March 2017.

10:13 This is a matter of concern, giving the impression that there was little or no oversight of the revenue process. It is quite obvious that all revenue was not brought to account, however, it is not a complete detail of all receipts not posted during our sample testing.

We recommend that an explanation be provided for the revenue receipts amounts not recorded in the Cashbook. We further recommend that the outstanding revenue be brought to account.

10:14 During the course of our examination, we noted that revenue deposits were not made intact. We observed instances whereby revenue deposits were over or understated.

We recommend that management take the necessary remedial action to ensure that revenue is deposited intact. The revenue deposits should agree to the cashbook cash column and bank deposits.

We recommend that the overage be brought to account and that a copy of the official receipt be provided for audit review.

Post Office Accounts

10:15 Our examination of the post office accounts revealed that the accounts were maintained in a satisfactory manner at the Alice Town Bimini Post Office as at July 24, 2017.

Immigration Department – Cat Cay

10:16 We were informed by the officer located on Cat Cay that he was officially transferred on July 2, 2017 and a handover exercised was never performed.

We recommend that the management of Immigration ensures that a handing over exercise is carried out during the outgoing and incoming of officers at the various stations.

10:17 During our review of Cat Cay billable vessels/aircrafts records, we noted that the income decreased by \$2,250.00 or 16% (from \$14,150.00 in 2014/2015 to \$11,900.00 in 2015/2016.)

PERIOD	TOTAL AIRCRAFT	AMOUNT \$
July 2014 - June 2015	283	\$ 14,150.00
July 2015 - June 2016	238	\$ 11,900.00

10:18 We noted that the intake for cargo/research vessels for the fiscal period June 30, 2016 amounted to \$1,200.00. This amount represented the total of 12 vessels that were billed. However, the total for the fiscal period June 30, 2015 could not be obtained, due to the records being maintained in Grand Bahama.

10:19 During the course of our examination, we noted that prior to July 2017; the general receipt numbers were not indicated in the General Declaration Book/Air and Sea.

We recommend that the General receipt numbers continue to be written in the General Declaration Book/Air and Sea, in an effort to enhance the audit trail.

10:20 We conducted a cash count of aircrafts, cargo/research vessels and short-term work permits on July 25, 2017 in the amounts of \$750.00 and \$583.80 respectively and found them to be correct.

Customs Cash Inspection

10:21 A cash inspection was carried out on July 25, 2017 and the amount on hand totaled \$16,551 while the receipts totaled \$14,845, hence a surplus of \$1,706 as outlined in the schedule that follows.

We conducted a cash count of aircrafts, cargo / research vessels and short term work permits on July 25, 2017 in the amounts of \$750.00 and \$583.80 respectively and found them to be correct.

We recommend that the surplus in the amount of \$1,706.00 be brought to account and that a copy of the official receipt be provided for audit review.

10:22 Blocks, plaster and paint. The cleaning of all wall and floor tiles, replace broken damaged and worn electrical outlets and switches and fixtures. In addition to replace broken and or damaged tiles along with paint the entire building, interior and exterior. A contract was provided which indicated that the date of commencement was June 30, 2015 with the scheduled date of completion being July 15, 2015. We noted that payment voucher numbers 37 and 75 were both dated June 30, 2015 for \$2,500.00 that appeared to have been approved on this date. Additionally, copies of certificates for Business License and Tax Compliance were not located on the file.

We recommend that certificates for Taxpayer Registration and Business License be obtained and attached to all contract documents before they are awarded.

Collection and Disposal of Rubbish/Heavy Bulk Items

10:23 During our review, we noted that the Local Government District Council had entered three separate contracts for the collection and disposal of rubbish/heavy bulk items. All of the garbage contracts had expired at the time of our review. The Council in a meeting dated November 8, 2016 agreed that the garbage contracts should be negotiated by the next incoming Council.

10:24 Although the existing contracts were in full effect we observed garbage piled up at the Regatta site for the entire duration of our visit to the district; an enquiry was made to find out the reason for the garbage not being collected. We were informed that a few staff owners were paying independently to have the trash removed. In addition, the contractor expressed concerns of his inability to access the newly constructed enclosed garbage site to remove the garbage.

Staff Shortages

10:25 Staff shortages led to most of the operations at the Bimini Office not being timely and efficient (e.g. deposits being made daily, ledgers properly maintained and Bank reconciliations statements not brought up-to-date).

Revenue

- 10:26 Fraudulent activities had taken place in the revenue process; the deposit bag was intentionally destroyed, and funds were purported to have been taken. In addition revenue documents dated February 22, 2017 indicated that revenue was not deposited to the Consolidated Fund Account.
- 10:27 Revenue was not being deposited in tact; in many cases the amounts recorded in the Cashbooks did not agree to the revenue receipt vouchers.
- 10:28 Several envelopes contained monies that were not labeled. The Administrator could not state to what account funds belong to.

Deposit Fund Account

- 10:29 The receipt books for Cash Bail and Child Maintenance was not provided to the Auditors, the reasoning being was that the room containing the documents was locked and keys could not be located.
- 10:30 Treasury remittance earmarked for the Deposit Fund Account was recorded in the Consolidated Fund Cashbook.

Opinion

- 10.31 In our opinion, the accounts were not maintained at a satisfactory standard in all respects, specifically the non-preparation of bank reconciliation statements for all of the accounts. Internal controls need to be strengthened to ensure efficiency and effectiveness of the financial operation.
- 10:32 The Revenue process is in dire need of restructuring; the intentional disregard of persons who were made custodians of public funds come into question along with the fact that fraud was allowed to occur and not be reported provides an example of the type of over sight that existed in the district. Therefore, we could not give assurance to the correctness and completeness of the accounts.

Findings and Recommendations

10.33 Summary of significant findings and recommendations are presented for the management's response and action for improvement.

Deposit Fund Expenditure

10.34 During the period under review, we noted that monthly balances were not reflected correctly in the Deposit Fund Expenditure manual cashbooks. Payment transactions were posted to the cashbooks, and Treasury remittances that were forwarded were indicated. We observed that some of the cashbooks carried forwarded balances were incorrectly stated.

We view these incorrect balances to be a matter of concern and recommend that the Deposit Fund manual cashbook be amended without undue delay.

10.35 During our examination of payment vouchers, the following observations were made:

10.36 In addition, we further noted the following:

- (a) Some vouchers did not have adequate supporting documents attached , such as the 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 such as food items provided to a staff member at the Administrator office; and
- (d) No Line Item, Block and Payment Voucher numbers were indicated.

In an effort to promote efficiency, accountability and transparency, it is recommended that adequate supporting document be provided to substantiate payments made.

10.37 We noted that payment voucher (voucher number not indicated) dated 27th September, 2016 in the amount of \$300.00 was payment for overtime for a Central Government employee. The authority for this payment was not found attached to the voucher.

In an effort to enhance accountability, efficiency and transparency, we recommend that the authority for the above payment be provided for audit review.

10.38 We noted that payments were made for the National Lunch Program provided to the Pirate's Well Primary School and Abraham's Bay High School in the Mayaguana District. The authority for transferring these funds to the District by the Ministry of Education Science and Technology and the Public Treasury Department Nassau, was not seen on file.

We recommend that expenditures be made from approved funds that were allocated in the various agencies budget. We further recommend that the authority for the above payments be provided for audit review.

Local Government Recurrent Account

10.39 During our examination of payment voucher, 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.

10.40 **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 numbers against which these payments were charged be provided.**

Revenue

10.41 We noted that the revenue intake for the year ended June 30, 2016 amounted to \$52,916.67, an increase of \$4,186.92; which is 9% above the preceding year's figure of \$48,729.75.

10.42 We noted that the revenue earmarked for the Consolidated Fund was not remitted on a consistent basis; for example,

PERIOD OF COLLECTION	AMOUNT COLLECTED \$	DATE REMITTED TO NASSAU	TIME ELAPSED
30-04-16	\$ 13,304.17	12-01-17	8 Months
31-05-16	\$ 7,579.00	12-01-17	7 Months
30-06-16	\$ 4,177.50	12-01-17	6 Months
31-07-16	\$ 1,028.50	12-01-17	5 Months
30-11-16	\$ 2,245.00	12-01-17	2 Months
TOTAL	\$ 28,334.17		

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.

Accounting Procedures

Vote Charge Book

10.43 We noted that the vote charge book and expenditure file are not being maintained for the district. Therefore, we were unable to perform necessary auditing procedures as follows:

- The opening balance agrees to the approved budget,
- Amount of each expenditure and commitment against a line-item balance;
- The specific date of each expenditure and commitment;
- The purpose of each expenditure and commitment;
- Adjustments to line items;
- The balance of available funds under each head and items; and

- The amount drawn down on items for various government agencies.

We recommend that management as a matter of urgency implement a vote charge book, in addition to an expenditure file to record funds drawn down on all head and items.

Voucher Register

10.44 We noted that a Voucher Register was not being maintained by the Administrators office. We requested the register but were informed that none was being kept. As a result we could not determine if all vouchers were recorded in the cashbook in numerical order.

We recommend that management implement a Voucher Register immediately in an effort to facilitate the audit trail.

Cash Log

10.45 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.

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

Office Safe

10.46 We were informed by way of interview that the Administrator has sole access to the office safe. Entry to the contents of the safe is jointly obtained by combination and key. It was further noted that the combination was not changed during the assumption of duties of the new Administrator. As a result, access to the safe remains accessible to all former Administrators.

We recommend that the procedures for entry to the office safe be reviewed and controls for its access be strengthened.

Stale Dated Cheques

10.47 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 is found in the table below and further outlined in the table below.

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

We recommend that management take the necessary remedial action. No cheque should be held for more than six months from the date written on it. 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

10.48 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 Item 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 to the district.

10.49 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.

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.



**BAHAMAS
CUSTOMS
DEPARTMENT**

Executive Summary

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 generated from tariffs and various taxes such as:

- General Import Duty
- Excise Duty
- Importation Value Added Tax (VAT)
- Environmental Levy Fees
- Harbour Duties
- Boarding Fees
- Departure (Passenger Tax)
- Landing Fees
- Container Fees
- Royalties
- Other Miscellaneous Fees

11.02 For 2016/2017 fiscal period, Customs generated close to a billion dollars in collecting \$999.68 million dollars in revenue (\$999,680,009), which represented 48% of the 2.07 billion dollars (\$2,070,187,632) total recurrent revenue collected by the government.

11.03 In addition to Customs collecting 48% of the total recurrent revenue, there is an outstanding revenue of over 8 million dollars (\$8,017,402). The breakdown of this outstanding revenue is further detailed in the report.

11.04 Also, highlighted is the digitization of Customs business processes via the Bahamas Electronic Single Window (BESW) Modernization Project. The Single Window \$16.2 million dollars e-commerce development investment is epic. The system is designed to facilitate trade, improve importation processes and increase the integrity and transparency of businesses processes. The embedded controls are designed to prevent revenue

leakages, reduce economic corruption and enhance border protection and safety. In addition, the system enhances segregation of duties.

11.05 The major concerns outlined in this report, particularly unentered goods and the outstanding revenue, recurrence are to be held at bay with the Single Window System capabilities, such as:

- **“Smart Pay”** – direct payments on-line and the system controls designed for paying upfront to prevent owing the government;
- **“Click2Clear”** - enhances efficiency in services, cost saving and timeliness of revenue collection flow ;
- **Accounts Receivable Module** - will facilitate improved revenue collection and reporting for payments on accounts and reduction in outstanding revenue.

Customs Revenue Collection Overall Performance

11.06 Customs collected Nine Hundred Ninety Nine Million, Six Hundred Eighty Thousand, and Nine Dollars (\$999,680,009) in 2016/2017 fiscal period. This is an increase of Eighty Six Million, Thirty One Thousand, Two Hundred Dollars (\$ 86,031,200), as the revenue went up by 9% over the previous year. However, the projected revenue of over a billion dollars (\$1,077,499,475) was not met. The revenue fell short of the approved budget by 7% in the amount of \$77.81 million dollars (\$77,819,466). This was due, in part, to:

- The exemptions that were declared by exigency order to provide relief for those affected by the Passage of Hurricane Matthew in October, 2016;
- The continual reduction in duties and excise taxes;
- Foregone revenue for duties and excise taxes granted for concessions;
- Delinquent collections on approved deferred revenue outstanding payment;
- Unentered Airway Bills, for Courier Services imports;
- Courier company circumventing Customs declaration and entry checking controls processes;
- Outstanding processing fees by Airline and Transshipment Companies.

11.07 The Comparative Revenue Analysis Schedule, that follows, provides a detail of the amounts collected by the revenue streams (approved estimates vs. the actuals).

CUSTOMS 2017 REVENUE COLLECTION ANALYSIS BUDGETED VS. ACTUAL				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE 2015/2016 \$	APPROVED ESTIMATED REVENUE 2016/2017 \$	ACTUAL REVENUE 2016/2017 (\$)	ACTUAL REVENUE VARIANCE 2017 (\$)
901/1100 General Import Duties	263,125,973	335,000,000	285,417,050	(49,582,950)
901/2100 Export Duties	12,088,524	12,700,000	8,380,042	(4,319,958)
902/1100 Excise Taxes	229,867,445	299,000,000	287,446,224	(1,553,776)
902/2100 Fuel Surcharge - Gasoline	841,323	865,000	876,123	11,123
902/2200 Fuel Surcharge - Diesel	365,257	350,000	423,024	73,024
902/2300 Fuel Surcharge - Propane	120,283	110,000	152,454	42,454
906/1100 Air Departure Tax	48,119,090	50,500,000	49,357,524	(1,142,476)
906/1200 Sea Departure Tax	85,903,812	91,500,000	84,485,456	(7,014,544)
906/1300 Passenger Tax/Pleasure Craft	610,181	600,000	765,172	165,172
906/2100 Passenger Ticket Tax				-
907/1100 Stamp Tax Imports				-
907/1200 Stamp Tax Exports	80	-		-
907/1300 Stamp Tax on Ship Report				-
919/1380 Ship Registration				-
919/1452 Customs Fines & Forfeitures	299,614	415,475	729,452	313,977
919/2112 Dishonoured Cheques Surcharge				-
919/2210 Wrecked Goods				-

CUSTOMS REVENUE COMPARATIVE ANALYSIS - BUDGET VS. ACTUAL 2017				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE 2015/2016 \$	APPROVED ESTIMATED REVENUE 2016/2017 \$	ACTUAL REVENUE 2016/2017 (\$)	ACTUAL REVENUE VARIANCE 2017 (\$)
919/2220 Customs Warehouse Fees	25,903	27,450	11,405	(16,045)
919/2221 Storage Fees	215,364	200,000	352,829	152,829
919/2230 Customs Inspection Fees				-
919/2232 Customs Service Charge	6,518,753	11,076,850	6,277,613	(4,799,237)
919/2240 Container Movement	3,333,397	8,381,575	3,554,094	(4,827,481)
919/2241 Customs Container Fee - Freeport	238,211	250,000	106,887	(143,113)
919/2250 Other Customs Charges	1,263,673	1,781,975	1,363,332	(418,643)
919/2251 Bonding Tax	342,584	420,000	633,842	213,842
919/2252 Royalties	782,716	1,000,000	1,016,480	16,480
919/2253 Fishing Permit				-
919/2254 Cruising Permit				-
919/2255 Customs Boarding Fees	29,250	-		-
919/2260 Transportation Fees		-	163	163
919/2263 Security Fees on Vehicles	158,445	180,000	143,963	(36,037)
919/2267 Security Fees on Containers 20 or less	194,004	170,500	201,848	31,348

CUSTOMS REVENUE COMPARATIVE ANALYSIS - BUDGET VS. ACTUAL 2017				
REVENUE ITEM HEAD/ITEM CLASSIFICATION	ACTUAL REVENUE 2015/2016 \$	APPROVED ESTIMATED REVENUE 2016/2017 \$	ACTUAL REVENUE 2016/2017 (\$)	ACTUAL REVENUE VARIANCE 2017 (\$)
919/2268 Security Fees on Containers over 20	1,016,116	1,053,250	1,152,328	99,078
919/2270 Boarding Fees	952,363	1,020,500	1,107,720	87,220
919/2271 Boarding Fees	3,035,731	3,040,900	3,526,844	485,944
919/2280 Customs Processing Fees	24,932,269	23,000,000	26,758,660	3,758,660
919/2290 Environmental Levy	9,082,557	9,400,000	10,812,033	1,412,033
919/2520 Wharf & Port Dues	36,155	-	-	-
920/1420 Rental of Various Properties	89,232	85,000	83,458	(1,542)
CUSTOMS REVENUE SUB-TOTAL	693,588,305	852,128,475	775,136,020	(76,992,455)
911/9100 VALUE ADDED TAX (VAT)	220,060,504	225,371,000	224,543,989	(827,011)
CUSTOM TOTAL REVENUE	913,648,809	1,077,499,475	999,680,009	(77,819,466)

Importation Value Added Tax (VAT) Revenue Analysis

11.08 Customs collected over 224.54 million dollars (\$224,543,989) VAT on imported goods valuing \$2.99 billion dollars (\$2,993,919,853); the value was almost three billion dollars.

11.09 In addition to the actual revenue collected, Customs processed deferred VAT revenue totaling 63.3 million dollars (\$63,301,302) on imports valuing over 844 million dollars (\$844,017,357). The deferred VAT transactions are further reviewed by the Department of Inland Revenue for reconciliation with the related taxpayers filing returns.

11.10 The deferred VAT and the actual VAT revenue collected on the imports, totaled over 287.84 million dollars (\$287,845,291). This amount accounts for VAT generated on imports with a landed cost of over 3.83 billion dollars (\$3,837,937,207).

11.11 The break-down of VAT revenue on the imports is further summarized by geographic region: New Providence and the Family Islands, Grand Bahama and Abaco, as shown below.

CUSTOMS VALUE ADDED TAX (VAT) REVENUE COLLECTION ANALYSIS 2017		
PORTS	IMPORTS LANDED COST (\$)	VAT COLLECTED (\$)
New Providence & The Family Islands (eCAS On-Line)	2,588,570,147	194,142,761
Grand Bahama (eCAS On-Line)	222,113,416	16,658,506
Abaco (eCAS On-Line)	130,608,328	9,795,625
eCAS System Grand Total (VAT Deferred Not Included)	2,941,291,890	220,596,892
Other Family Island Districts - Not on eCAS/Off Line	52,627,960	3,947,097
Grand VAT Total	2,993,919,850	224,543,989
VAT Deferred	844,017,357	63,301,302
Total Imports Vatable Goods Landed Cost (VAT Collected and Deferred Combined)	3,837,937,207	287,845,291

11.12 We noted that other family islands districts such as Andros, Long Island, Walkers Cay, Chub Cay and Great Harbour Cay are not on the eCAS. Customs revenue transactions processing within these districts are manually receipted. This accounted for over 3.94 million dollars (\$3,947,097) more in the VAT General Ledger Account than that in the eCAS.

We recommend, going forward, Customs revenue collection at all Ports of Entries be on the electronic system to account for transactions online in real time. In this way, revenue reporting accuracy and completeness would be maintained in all aspects.

Management's Response

All stations service-wide are expected to be connected to the Single Window System in the shortest time as possible.

Auction Revenue

11.13 Revenue generated from the Public Auction held in 2017 totaled Two Hundred Thirty Four Thousand, One Hundred Thirteen Dollars (\$234,113). The VAT revenue from the Auction is deposited to the Consolidated Fund Account, however, the Environmental Levy and the Duty are deposited to the Deposit Fund Account. This practice understates the actual revenue that should be reported in the financial statements and Customs overall revenue. In addition, the amounts to be posted to the appropriate revenue item is not captured.

We recommended that all revenue collected from Public Auction be deposited to the Consolidated Fund Account and posted to the appropriate revenue item.

Management's Response

Accounts Section personnel has informed that Auction proceeds are indeed deposited to the Consolidated Fund Account.

Customs Warehouse

11.14 Customs warehouses are at designated ports of entry for storing uncustomed goods and levying warehouse charges on the same, until goods are either duty paid or auctioned. Goods are sent to the warehouse after five working days. Goods not entered after three (3) months are eligible for auction.

11.15 Customs Public Auctions are held in Eleuthera, however, there is a challenge with warehousing in Governors Harbour. The warehouse that was damaged in 2011 by Hurricane Irene (leaving the structural frame) has not been repaired. Imported goods are warehoused by the importers/shipping companies. This process impedes Customs regulated revenue collection and import business processes; storage fee is not levied and collected. In addition to Governors Harbour, there are no Customs warehouses on the island of Grand Bahama.

11.16 We deem both Eleuthera and Grand Bahama as significant commercial districts for importation activities. As such, the opportunity exist for Customs

to capitalize on having the warehouse to generate warehouse and storage fees revenue.

We recommend that the process to have a warehouse in Grand Bahama be undertaken and the Governors Harbour, Eleuthera warehouse be restored.

Management’s Response

Freeport – a process to acquire adequate rental space is in progress.

Governor’s Harbour – the building is in ruins and needs to be condemned by the Ministry of Works as it is uninhabitable.

Deferred Payments Plan – Revenue Collection Analysis

11.17 From 2014 to 2017 reporting periods, fourteen (14) cases remain on the approved deferred payment plan. Over 4.88 million dollars (\$4,881,039) was deferred on the plan. Monies collected to date totaled over 2.7 million dollars (\$2,702,528), leaving a balance of slightly more than 2.17 million dollars (\$2,178,511).

CUSTOMS DEFERRED PAYMENT PLAN ANALYSIS 2017				
Number of Deferred Cases	Deferred Plan Period	Total Deferred Amount	Total Payment to Date	Outstanding Balance to Date
14	2014-2017	\$ 4,881,039	\$ 2,702,528	\$ 2,178,511

11.18 We also noted that six (6) of the fourteen (14) accounts, which is 43% of the businesses under the payment plan, are delinquent. These businesses are required to make monthly payments to reduce the outstanding balance.

We recommend that additional efforts be made to consistently collect payments on a monthly basis, to reduce the outstanding amounts. The modernized system be fully utilized as a revenue enhancement collection mechanism.

Management’s Response

Collection is hampered by lack of transportation available in the Department and also the tardiness/ability of payees to remit funds.

Outstanding Customs Services Charges and Processing Fees Revenue

11.19 Over 2.53 million dollars (\$2,530,511) in revenue is outstanding by thirteen (13) international airlines for services rendered by the Customs Department. The amount outstanding is for service charges and processing fees for the period 2013-2017 as shown in table that follows.

OUTSTANDING CUSTOMS SERVICE CHARGES AND PROCESSING FEES 2013 - 2017			
INTERNATIONAL AIRLINES	SERVICE CHARGES (\$)	PROCESSING FEES (\$)	TOTAL OUTSTANDING REVENUE (\$)
Airline Company A	645,439	15,861	661,300
Airline Company B	838,800	47,025	885,825
Airline Company C	194,400	6,853	201,253
Airline Company D	200	330	530
Airline Company E	-	22,550	22,550
Airline Company F	-	3,388	3,388
Airline Company G	311,800	28,830	340,630
Airline Company H	2,500	4,500	7,000
Airline Company I	334,900	27,025	361,925
Airline Company J	10,000	3,242	13,242
Airline Company K	9,200	5,500	14,700
Airline Company L	6,200	1,065	7,265
Airline Company M	6,600	4,303	10,903
TOTAL	2,360,039	170,472	2,530,511

11.20 We noted documentation on file communicating request to the airline companies to fulfill their legal obligation to bring the outstanding amounts to account.

We recommend that Customs continue to pursue the collection of outstanding fees for deposit to the Consolidated Fund Account.

Management's Response

Persistent collection of said fees will continue to be of utmost importance.

Outstanding Billing Fees Trans-shipment Company- Customs Service Charges

- 11.21 We reviewed the record of a company, which is withholding payments for Customs billings for Service Charge Fees. The outstanding payments for 2013 to 2017 totaled over 3.3 million dollars (\$3,308,380) and to date, have accumulated to over 4.37 million dollars (\$4,374,810). Included in this billing amount is the VAT for Two Hundred Thirty Thousand, Five Hundred Twelve Dollars and Eighty Nine Cents (\$230,512.89).
- 11.22 We were informed that the company is paying the monies collected for Passenger Departure Taxes and Processing Fees; but not the Service Charge Fees. The process to collect the revenue at departmental level and additional efforts made by Customs management were unsuccessful. Consequently, this matter is at the Ministry of Finance for further review and resolution.

We recommend that the service charge outstanding revenue be pursued and recovered. To further this advocate, reference is drawn to the Customs Management Regulation 8 (3) (4), which speaks specifically to this charge: "A fee in respect of the services performed by a Customs Officer while in attendance is payable in respect of an aircraft or vessel in port. All fees payable under this regulation shall be paid into Customs revenue."

Management's Response

This matter was escalated to the Ministry of Finance for collection and resolution. We await their results.

Courier Service Companies Circumventing Customs Declaration Controls

- 11.23 Courier companies are required to complete the manifest for entry processing for the bill to be generated for payment within 10 days. We noted that specific Courier Service Companies are not clearing the Air Waybill (AWB) as regulated by the Customs Management Act 2011. Failing to declare the imported goods as required resulted in the following:
- The Courier Service Companies, the Taxpayers, are withholding government revenue for importation VAT and duties for too long, in some cases, over fiscal reporting periods;
 - The actual amount of revenue to be generated is unknown, as the relevant documentation supporting the imports have not been submitted for billing processing;
 - Customs protection of tariffs and collection of government revenue is impeded;

- Withholding taxes results in the sum owing to be millions of dollars; that leads to negotiated contractual installment payment plan;
- Projected Custom revenue to be collected and withheld could have contributed to the additional government borrowings to meet the recurrent expenditure obligations;
- The government regulated process to receive all of the revenue “upfront”; to maintain transparency and accountability is circumvented.
- The matter had to be elevated to Ministry of Finance for resolution. Contractual agreement was made to pay all outstanding assessed revenue to Customs with interest. All of the contractual obligations are not being met.
- Proper reconciliation is hindered as funds have been deposited but the Air Waybills are unentered. Unreconciled funds are being held in the Deposit Fund Account, instead of being deposited to the Consolidated Fund Account to be reported as Customs Revenue.
- Checking System to generate a voucher payment for cash receipting; circumvents regulated controls. In addition, we noted that this practice is in direct contravention to the government policy of transparency and accountability. If this practice continues it could result in revenue leakages in all aspects.

We recommend that the regulation in place for declaring imported goods be strictly followed. Accordingly, reference is drawn to Customs Management (Amendment) Regulations, 2016, Section 108B: *“Procedures to be followed by authorized couriers”*. As it speaks specifically to controls for compliance with entry declaration, no later than five working days after release of goods.

All outstanding Airway Billings (AWB) be declared and lodged with Entry Checking Processing to generate voucher payments/invoices. The billings generated are to be paid.

We further recommend that, to prevent the recurring of excessive outstanding Air Waybills (AWB), over extended periods, additional controls under Customs Management Act be enforced. Consideration should also be given to

enforcement of the penalties outlined in the specific contracts; due to the breach.

Management's Response

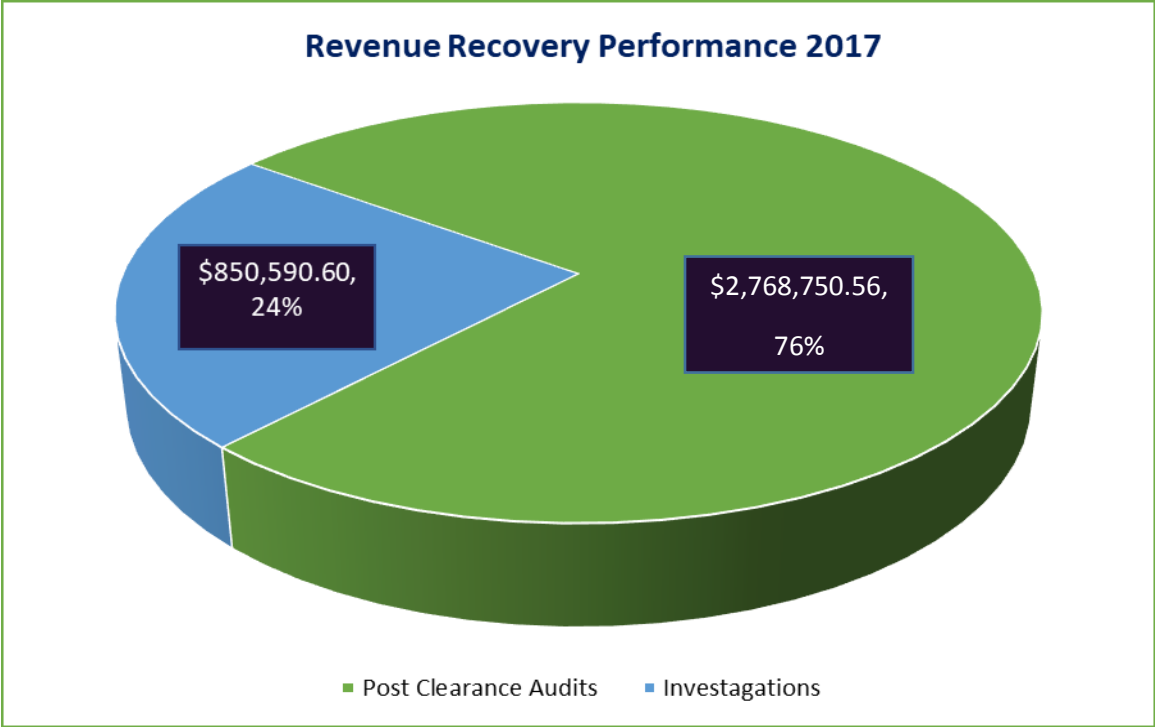
The inherited practice from 2012 to allow couriers to have goods with no formal controls, however this matter is given urgent attention.

Customs Enforcement Revenue Recovery Performance 2017

11.24 For 2017, Customs Enforcement Unit recovered over 3.61 million dollars (\$3,619,341) in revenue from Investigations and Post Clearance Audits. In comparison to 2016, the audits performed increased from 319 to 478 and generated over 2 million dollars (\$2,045,540) more as shown in the table that follows.

CUSTOMS ENFORCEMENT RECOVERY PERFORMANCE 2017						
ENFORCEMENT SECTION	INVESTIGATION TYPE			REVENUE RECOVERED (\$)		REVENUE DIFFERENCE (\$)
	Field Audits	Desk Audits	Investigation Cases	2016	2017	Inc./Dec.
Post Clearance Audit (PCA)	37	441	-	723,211	2,768,751	2,045,540
Investigation	-	-	115	843,360	715,735	(127,625)
Investigation Freeport	-	-	40	187,462	134,856	(52,606)
TOTAL	478	441	155	1,754,033	3,619,341	1,865,309

11.25 The field and desk audits accounted for 76% of the revenue recovered and the investigations for 24%. The number of investigation cases decreased in 2017 by 10, that is from 165 to 155; hence a drop in revenue recovery, under the Investigation Unit, by \$180,231.



Significant improvement in revenue recovery funds is notable. Accordingly, we recommend that the Customs Enforcement Unit vigorously continue to pursue the revenue.

Management’s Response

Transfer of Officers in the unit occurred to better utilize knowledge, skills, and abilities.

Concessions Revenue Forgone Analysis

11.26 For 2016/2017 Customs processed goods imported under concessions (conditionally duty free goods) with a landed cost of 4.96 billion dollars (\$4,965,680,799). The excise tax and duty are waived and this resulted in over 425.34 million dollars (\$425,344,516) “revenue forgone”. The amounts are outlined in the detailed Bahamas Customs Department Concessions Report 206/2017 Fiscal Year.

11.27 The Concession Report 2016/2017 shows that the revenue collected from the concessions transactions amounted to over 137.78 million dollars (\$137,782,663) as follows:

CONCESSIONS REVENUE ANALYSIS COLLECTIONS	
REVENUE STREAMS	AMOUNT COLLECTED (\$)
Duties and Excise Tax	3,991,888
Value Added Tax (VAT)	133,790,775
TOTAL REVENUE COLLECTED	137,782,663

11.28 Concessions are governed by legislation and administered by the Ministry of Finance. Imports classified under the designated trade sector are processed by Customs accordingly.

Concessions are designed to bolster trade and industries for economic development and sustainability.

11.29 The “**forgone revenue**” from the exemptions of duties and taxes on industries imports are to be measured by the outputs of economic benefits for the government and citizens.

Included in the “**forgone revenue**” are exemptions for duties for goods imported by residents affected by the impact of Hurricane Matthew, 2016.

11.30 In comparison to the previous year the revenue forgone is down by over 903.4 million dollars or 68% as shown below.

CUSTOMS CONCESSIONS COMPARATIVE REVENUE FORGONE ANALYSIS REPORT 2017 VS. 2016					
FISCAL YEAR	LANDED COST (\$)	DUTY LIABILITY (\$)	EXCISE TAX LIABILITY (\$)	DUTY & EXCISE TAX COLLECTED (\$)	REVENUE FORGONE (\$)
2017	4,965,680,799	162,899,242	266,437,162	3,991,888	425,344,516
2016	6,093,037,156	131,177,003	1,201,723,546	4,138,634	1,328,761,915
TOTAL	(1,127,356,357.35)	31,722,239.31	(935,286,383.67)	(146,745.65)	(903,417,398.71)
% CHANGE	-19%	24%	-78%	-4%	-68%

11.31 The excise tax concession high value is driven by the exemption for petroleum products. Whereas, the duty is escalated by the imports under the Hotel Encouragement Act.

The decrease in “revenue forgone” is a result of drop in imports of over \$1.12 billion dollars, mainly for petroleum products.

We recommend that Concessions Annual Data continued to be reviewed, in conjunction with the tariffs, for revision as may be deemed necessary; to maintain cost benefits equilibrium.

Management’s Response

Collaboration with the Revenue Section of the Ministry of Finance with regards to Concessions continues to occur.

BAHAMAS CUSTOMS DEPARTMENT CONCESSIONS REPORT 2016/2017 FISCAL YEAR

TRADE SECTOR	LANDED COST \$	DUTY LIABLE \$	EXCISE LIABLE \$	EXCISE & DUTY COLLECTED \$	VAT LIABLE \$	VAT DEFERRED \$	VAT CHARGED (COLLECTED) \$
Hotel Encouragement Act	3,318,509,205	91,793,392	2,562,742	-	248,888,196	175,891,104	72,996,684
General Exemption for Petroleum Products	565,000,572	1,837,496	246,428,382	-	42,375,043	40,867,152	1,507,891
Family Island Development Encouragement Act	318,514,807	8,208,838	16,002	-	23,888,615	261,661	23,626,954
Exigency Minister Declaration	216,790,042	11,231,338	2,097,681	-	16,259,212	13,844,924	1,151,104
Industries Encouragement Act	185,625,173	21,108,096	3,279,813	1,188,777	13,921,890	1,183,259	12,735,451
Other Trade Sectors	95,239,311	1,549,540	3,391,803	-	7,142,948	2,412,592	4,714,691
Electricity Act Generators and Engines (N.P.)	68,964,569	11,821,935	675,744	2,738,513	5,172,343	38	5,172,305
General Exemption for Production Materials for Cottage and Light Industries or Raw Material for Handcraft Items	60,339,104	7,245,563	-	64,598	4,525,434	5,206	4,520,228
Water & Sewerage Act	53,138,796	3,732,953	2,374,125	-	3,985,410	510	3,984,900
Educational, Scientific and Cultural Goods. Specialized Equipment, Medical Supplies	37,277,108	2,642,614	544,295	-	2,795,783	215,957	2,537,126
Consular Diplomatic and International Organizations	34,516,665	1,079,440	3,167,120	-	2,588,751	2,491,754	9,051
General Exemption for Vessels and Vessels Parts	11,765,446	648,036	1,899,455	-	882,409	46,090	834,389
TOTAL	4,965,680,799	162,899,242	266,437,162	3,991,888	372,426,034	237,220,247	133,790,775

Review of \$16.2 Million Bahamas Customs Electronic Single Window (BESW) Modernization Project

- 11.32 We reviewed documentation inclusive of the Independent Auditor Reports and made inquiries relative to the implementation progress of the Electronic Single Window. We noted that the system is operational in some of the family islands and is scheduled to be fully operational in New Providence in September, 2019.
- 11.33 Customs has secured the computers necessary to facilitate the online system at every port of operation. Thus the online connectivity to the other ports in the family of islands continues. Customs Information Technology Unit conducted training sessions to equip the users (internal and external) for the transition.
- 11.34 In preparation for the launching, the registration is in progress for individuals, agents and agencies. The investment in the project to transform Customs from a tax collector to an established platform for global trade is paramount. Benefits to be derived from the investment are as follows:
- **Processes Improvement** – Transforming Customs from a Tax Collector to a Trade Facilitator;
 - **Reduction of Importation Price** - the cost of importation to be reduced to about 2%;
 - **Substantial Improvement in Clearance Processing** - goods cleared within hours;
 - **Significant Improvement in Payment Processing** - Online Entry and Payment Processing;
 - **Dematerialization** – becoming paperless through digitalization;
 - **On-line Payment** - faster collection of revenue;
 - **Business Intelligence Model** - Improved Accounting Information Data – Daily Comprehensive Revenue Reports in real time across all Customs Ports/Stations inclusive of the Family of Islands;
 - **Enhanced Auditing Process** – Data Analytical Tool – Auditing “Big Data”
 - **Direct Payments to the Treasury Consolidated Fund** – timely reconciliation;
 - **Automation of Systems** - Reduction in Manual Processing results in reallocation of human resources to other areas;
 - **Improved Compliance Measures** – Enforcement and Revenue Recovery;

- **Integrated Software System** – Data sharing with pertinent Government Ministries, Agencies and Departments.

11.35 The mechanism to capture transactions at every Customs Ports of Entry, throughout the Commonwealth of the Bahamas, enhances revenue collection and reporting daily cash flow in real time; while maintaining accuracy.

We recommend full maximization of the Single Window to improve compliance with Airway Billings Entry Declarations, timely revenue collections on Accounts Receivable and overall efficiency, effectiveness and economy of operations. Moreover, to reduce outstanding revenue and to collect all of Customs revenue to be had, with strong controls to prevent leakages.

Management's Response

The BESW is progressing very well. Most of the hiccups have been identified and the electronic payment portal is ready to be launched in collaboration with the Treasury.

Conclusion

11.36 During the Audit, we discussed with management the concerns with respect to the outstanding unentered Airway Billings for the Couriers Services and the other outstanding revenue. Management presented initiatives, such as the "Customs Bond" to be taken to address the concerns and cited that the Single Window would also assist tremendously; due to the embedded preventative controls. We further this advocacy, and wish to take this opportunity to thank Bahamas Customs management and staff for their cooperation and the courtesies extended during the audit.



DEPARTMENT OF INLAND REVENUE

12.01 EXECUTIVE SUMMARY

The Department of Inland Revenue (DIR), also referred to as the Central Revenue Agency (CRA) is a branch of the Ministry of Finance. The DIR is a tri-stream revenue collector for the government's major taxes:

- Value Added Tax (VAT)
- Real Property Tax (RPT)
- Business License Fees

The DIR is not only responsible for revenue collection, but most importantly for the effective and efficient tax administration of the activity; for the ultimate benefits to the taxpayers and indeed the citizens of the Commonwealth of The Bahamas.

In addition to the collection of revenue, the DIR is responsible for processing First Home-Owners Exemption transactions. However, the Stamp Tax Fees generated from the transactions are paid directly to the Public Treasury Department; for deposit to the Consolidated Fund.

The DIR collected over \$672 million in revenue for the 2016/2017 fiscal year, an increase of \$65.74 million over the prior year. A major factor to the continuous increase in the DIR's revenue performance is the Value Added Tax revenue; which is the country's largest tax revenue generator.

The DIR revenue performance, challenges and recommendations for improvement in the control framework and related processes are highlighted. The recommendations, if implemented by management, are designed to catapult the DIR into a "*Center of Excellence*" in all aspects, for the betterment of the nation's financial affairs in revenue generating and good governance. This is supreme as the DIR revenue is very essential in sustaining recurrent operations.

THE DIR 2016/2017 OVERALL REVENUE PERFORMANCE

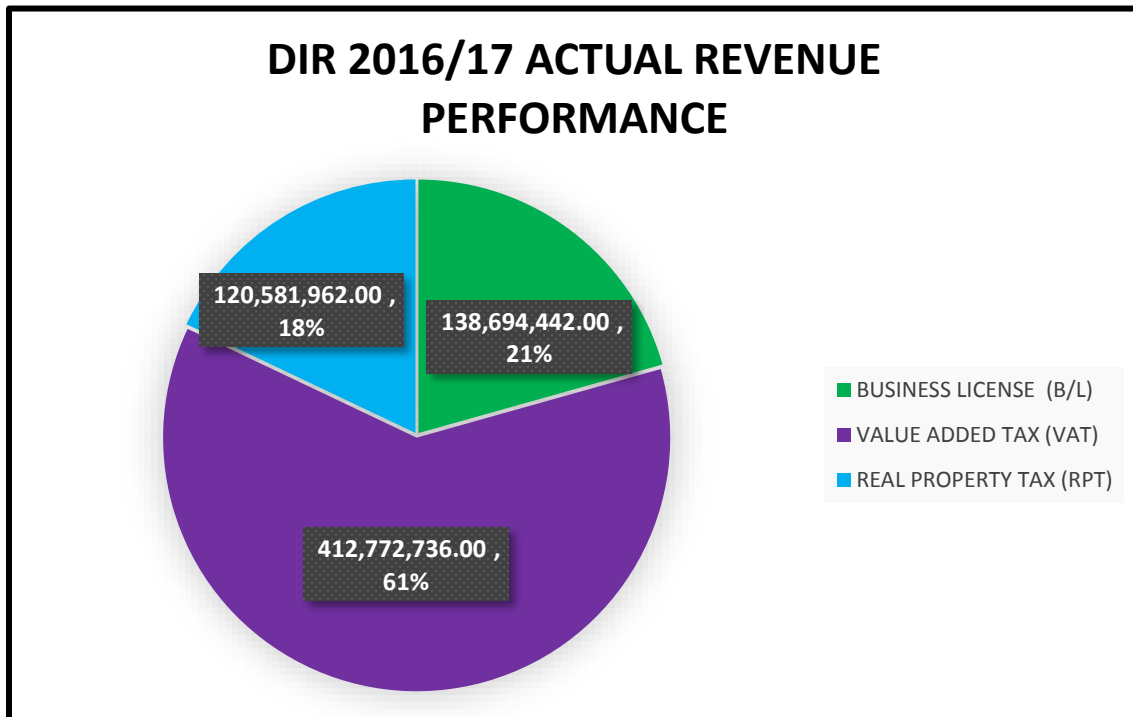
12.02 DIR Contribution to the Recurrent Revenue

For the fiscal year 2016/2017, the DIR collected a total of \$672 million (\$672,049,140) in revenue towards the government's overall collection of

\$2.07 billion (\$2,070,187,632) recurrent revenue. Therefore it is notable that the DIR accounted for 32% of the country's total recurrent revenue collected; as represented by the following major revenue streams collections:

- Value Added Tax (VAT) \$412,772,736
- Business License (BL) \$138,694,442
- Real Property Tax (RPT) \$120,581,962

12.03 The percentage of performance by the segmented revenue streams are graphically displayed below. Notably, VAT contributed to 61% of the DIR total revenue followed by Business Licence 21% and Real Property Tax 18%.



Department of Inland Revenue Growth 2016/2017

12.04 In addition to highlighting the importance of the revenue contribution by the DIR to the recurrent revenue, it is equally important to reference that in 2016/2017 the revenue increased by \$65.74 million (\$65,740,479), a growth of 11% as shown in the comparative analysis schedule below.

DIR COMPARATIVE REVENUE ANALYSIS VS 2016/2017					
HEAD: 28 - DIR REVENUE ITEM	ACTUAL PROVISIONAL REVENUE 2015/2016 (\$)	ACTUAL PROVISIONAL REVENUE 2016/2017 (\$)	REVENUE COMPARISON 2015/2016 VS 2016/2017 INCREASE (\$)	APPROVED FORECAST REVENUE 2016/2017 (\$)	REVENUE BUDGET VARIANCE 2016/2017 (\$)
VALUE ADDED TAX (VAT)	407,103,804	412,772,736	5,668,932	424,750,000	(11,977,264)
BUSINESS LICENSE (BL)	95,464,303	138,694,442	43,230,139	147,000,000	(8,305,558)
REAL PROPERTY TAX (RPT)	103,740,554	120,581,962	16,841,408	153,500,000	(32,918,038)
TOTAL	606,308,661	672,049,140	65,740,479	725,250,000	(53,200,860)
DIR 2016/2017 REVENUE GREW BY 11% - AN INCREASE OF \$65.74 MILLION OVER PRIOR YEAR 2015/2016					

The collection from the Business Licence revenue contributed to \$43.23 million, which is 66% of the overall revenue growth of \$65.74 million. This was followed by the \$16.84 million in revenue collection from the Real Property Tax and \$5.66 million from Value Added Tax respectively.

Overall, the \$672 million in revenue collection by the DIR for 2016/2017 fiscal year is notable when compared to \$606.3 million collected in the prior year.

Department of Inland Revenue Budgetary Performance

12.05 While the revenue growth of 11% is deemed significant, the budget expectation of \$725.25 million fell short by \$53.2 million; an equivalent of 7%. Some of the contributory factors to the shortfall were:

- Cancellation/VAT Deregistration of businesses;
- Permanent closure of businesses;
- Financial impact of 2016 Hurricane Matthew that affected 2016/2017 fiscal period;
- Delinquent payments resulting in enormous outstanding revenue for Value Added Tax, Real Property Tax and Business Licence; and
- Underreporting VAT and Business Licence turnover by some entities.

THE VAT TAX RATE REVENUE ECONOMIC IMPACT 2016/2017

12.06 It is important to highlight that not all of the activities; trade of goods and services in the VAT System attract the standard rate of 7.5%. Given the type of supply of goods or services, VAT is charged at one of these three rates:

- The Standard Rate - taxpayers pay 7.5% on the total of the taxable goods or services;
- The Zero Rate - the total value of the goods or services is taxed at 0%, therefore, no tax is charged or revenue generated from those activities;
- The Exempt Rate - the goods or services provided is not considered a taxable transaction, hence, absolutely no tax is levied or collected for such transactions.

Statistical Analysis of the VAT Tax Rate 2016/2017

12.07 The impact of the VAT System tax rate activity in the economy is shown in the VAT Rate Schedule that follows. Transactions in the VAT System for 2016/2017 accounted for \$13.75 billion (\$13,752,929,447) financial activity; but only \$8.51 billion (\$8,514,938,853) attracted 7.5% VAT that resulted in actual VAT cash flows. This accounted for the \$638.62 million (\$638,620,414) VAT revenue that went to the Consolidated Fund. The breakdown of the other activities that did not result in cash flows is as follows:

- \$844 million in imported goods attracted \$63.3 million deferred VAT;
- \$3.18 billion for zero rated supply of goods and services attracted no VAT;
- \$1.2 billion transactions exempted from VAT, no revenue to be collected or tax levied since VAT is not chargeable.

12.08 The components of taxable and non-taxable VAT activities are further illustrated below in the VAT Tax Rate Schedule.

VAT TAX RATE STRUCTURE ACTIVITY SCHEDULE - 2016/2017 PERFORMANCE ANALYSIS				
REVENUE COLLECTION BY: TAX RATE STRUCTURE	VAT TAXABLE ACTIVITY AMOUNT (\$)	VAT AMOUNT (\$)	VAT INCLUSIVE TAXABLE ACTIVITY (\$)	VAT PERFORMANCE % AT 7.5% STANDARD RATE
DIR VAT COLLECTIONS (SALES OF GOODS AND SERVICES AT 7.5% STANDARD RATE)	5,503,636,480	412,772,736	5,916,409,216	58.8%
BAHAMAS CUSTOMS IMPORTATION VAT COLLECTIONS (LANDED COST AT STANDARD RATE 7.5%)	2,993,919,853	224,543,989	3,218,463,842	32.0%
VAT COLLECTIONS (SALES OF GOODS AND SERVICES AT 7.5% STANDARD RATE) BY OTHER GOVERNMENT MINISTRIES AND DEPARTMENTS	17,382,520	1,303,689	18,686,209	0.2%
TOTAL VAT REVENUE COLLECTED TAXABLE ACTIVITY (AT 7.5% STANDARD RATE)	8,514,938,853	638,620,414	9,153,559,267	91%
BAHAMAS CUSTOMS IMPORTATION DEFERRED VAT (LANDED COST AT STANDARD RATE 7.5%)	844,017,357	63,301,302	907,318,689	9%
TOTAL VAT ACTIVITY AT 7.5% STANDARD RATE	9,358,956,210	701,921,716	10,060,877,956	100%
ZERO RATE (SALES AT 0%)	3,184,862,530	-		23%
EXEMPT RATE (SALES NON-TAXABLE)	1,209,110,707	-		9%
TOTAL NON-REVENUE GENERATING VAT ACTIVITY	4,393,973,237	-		32%
TOTAL ACTIVITY IN THE VAT SYSTEM	13,752,929,447	9,358,956,210	TOTAL VAT ACTIVITY AMOUNT AT 7.5% STANDARD	68%

The \$63.30 million accounted as importation deferred VAT revenue does not result in cash flow for the government. Eligible taxpayers are approved

by the Ministry of Finance to defer the VAT liability for the imported goods and report the same on their filing returns as “input” and “output” line items for accountability completeness. The deferred VAT revenue represented 9% of overall \$701.92 million VAT generated at 7.5% tax rate for 2016/2017.

Given that zero rated and exempt supplies generated no VAT revenue, but accounted for 32% or \$4.39 billion of the overall \$13.75 billion VAT activities; it is imperative that the VAT System work as designed to prevent revenue leakages.

We recommend that, with 32% of the total goods and services transactions made by VAT registrants attracting no VAT revenue and the deferred VAT generating no cash flow, it is imperative that the DIR heighten and enforce its efforts to collect VAT wherever possible and when it becomes due. Further, doing so will improve the VAT performance in all aspects.

VAT REFUNDS ANALYSIS

12.09 The VAT Refunds are processed for Taxpayers who are found to be in a credit position due to the composition of the taxable activities. For the fiscal year 2017, the DIR approved requested refunds in the amount of \$21,804,238.11. From this amount, \$21,718,047.29 was paid; leaving \$86,188.82 pending payment.

In addition to the \$21,718,049.29 paid refunds, the DIR also incurred \$54,729.63 in interest penalties due to delayed payment of approved accounts over 60 days as prescribed by the VAT Act (2014) Sec. 57 (1) (b). Overall, the DIR disbursed \$21,772,778.92 in VAT refunds as shown below, an increase of \$12.23 million over 2016 fiscal period.

VAT REFUNDS COMPARATIVE ANALYSIS 2016 VS 2017 FISCAL PERIOD			
DESCRIPTION	2016 (\$)	2017 (\$)	INCREASE/(DECREASE) (\$)
REFUNDS APPROVED AND PAID	9,525,545.43	21,718,049.29	12,192,503.86
TOTAL INTEREST PAID	12,588.30	54,729.63	42,141.33
TOTAL PAYMENT PROCESSED	9,538,133.73	21,772,778.92	12,234,645.19

We recommended that the DIR process the refunds in a timelier fashion, to avoid paying out extra monies for late interest penalty, as this diminishes the overall income from VAT. Further, given the volume of the refund cases for processing, the required staffing compliment should be in place to shorten turnaround time; to improve efficiency. Thus, we recommend increasing the Refund Processing Unit staff to meet the demand activity.

OUTSTANDING VAT REVENUE ANALYSIS

12.10 The outstanding VAT Revenue Report shows that the arrears have grown significantly from the 2015 inception to 2017 fiscal period, that is, from \$2 million to \$28.89 million as shown in the table below. The \$15.59 million for the period under review accounted for 54% of the total arrears.

VALUE ADDED TAX OUTSTANDING REVENUE 2015 - 2017 FISCAL PERIODS		
FISCAL PERIOD	OUTSTANDING AMOUNT (\$)	PERCENTAGE OF TOTAL ARREARS
2015	2,088,892	7%
2016	11,203,370	39%
2017	15,598,374	54%
TOTAL ARREARS	28,890,636	100%

We noted that the escalating arrears are driven by:

- I. **Audit Assessment Outstanding Tax Liability** - Audit performed on taxpayers' accounts that resulted in increased VAT payable, but all of the outstanding amounts have not been paid.
- II. **Audit Assessment Increased Tax Payable** – Taxpayers rejected the increased VAT payable and the cases are under the Objection and Appeals Process Review, hence VAT payable is pending the outcome of the review. Also, some cases having to do with policy decision and the matter is under review for resolution, hence the VAT payable is withheld pending the outcome of the review.
- III. **Estimated Assessments Outstanding Tax Liability** - Assessments performed on taxpayers accounts where returns are not being filed. The assessed tax liability remain outstanding until the taxpayer make the payment.
- IV. **Interest on Taxpayers' Outstanding VAT Payable** - Interest is incurring monthly on the taxpayers' outstanding balance and this further contributes to the overall increasingly outstanding VAT revenue.

We recommend that the DIR strengthen its collection process and efforts perhaps through legal means, if necessary, to collect taxes already paid to VAT Registrants by taxpayers; that should have been remitted to the government to flow to the Consolidated Fund. In addition, the cases under the objections and appeals processes and those under policy matters be addressed as expeditiously as possible to bring completeness, so as to:

- Collect the outstanding revenue;
- Resolve the outstanding VAT issues in a timely fashion; and
- Improve the efficiency, effectiveness of the DIR Tax Administration and the overall revenue performance.
- In addition to the Tax Tribunal, consideration should be given to establishing a Tax Court, given the advancement of our transformational and progressive Tax System; for expeditious resolution of tax disputes.

VAT REGISTRANTS CLAIMING COMMERCIAL IMPORTATION VAT DEDUCTION

12.11 Reconciliation of Customs Computerized Accounting System (CAS) Importation Revenue Report with DIR VAT Filing Revenue Management System (RMS) Report.

- 12.12 In reviewing and reconciling *“commercial importation goods”* VAT filing claims deductions with Customs records, we noted that taxpayers reported much higher values on the filing returns than the amount received by Bahamas Customs under the Taxpayer Tax Identification Number. For example, for specific filing periods, a taxpayer filing returns accounted for \$916,579.07 importation VAT deductions and the amount accounted for by Bahamas Customs Computerized Accounting System (CAS) payment record was \$53,912.68. The reconciliation resulted in a variance of \$862,666.39.
- 12.13 Review of additional documentation revealed that the broker consolidated importation clearance information was accepted by the DIR. It should be noted that Customs requires that *“commercial importation goods”* should not be consolidated but declared under the taxpayer or importer Tin Identification Number (TIN) as prescribed in Section 39: Payment of tax for a taxable importation goods, VAT Act 2014.
- 12.14 In addition, DIR VAT policy and procedure require that all importation VAT claims deductions filed by taxpayers be supported with the Bahamas Customs official receipts generated from the Customs Computerized Accounting System (CAS) and accounted for on the VAT Importation Report. Using the broker importation information and not the Customs official receipted information could result in over reporting input VAT claim deduction and revenue leakage.

To prevent the recurrence of using the broker documentation to claim importation VAT deductions, we recommend that the DIR remain compliant with accepting importation VAT official receipts that are provided by Bahamas Customs. That is, the legitimate receipt to file imported goods VAT on the taxpayer filing returns; the Bahamas Customs receipt of payment as prescribed in Section 39: Payment of tax for a taxable importation goods, VAT Act, 2014. Further, both the government integrated DIR and Customs revenue operational systems VAT importation controls be strengthen to enforce the same.

REVENUE ENHANCEMENT UNIT (REU)

- 12.15 The Revenue Enhancement Unit (REU), is an independent Unit within the Department of Inland Revenue but reports directly to the Ministry of Finance. REU was established in January 2017 and is charged with the responsibility of:
- I. Reduction of the Government’s revenue leakage through projects;

- II. Addressing non-compliance with the tax and Customs laws in the Bahamas;
- III. To focus on revenue recovery from four (4) key tax areas:
 - Value added Tax
 - Real Property Tax
 - Business Licence Fees
 - Customs related Taxes and Fees

12.16 Hence, REU exists to enhance and recover revenue collections mainly through audits and enforcement and collaborative investigation efforts by the team from the Bahamas Customs Department. REU processes are required to be in conformity with the DIR policies and procedures and legislation governing VAT, Real Property Tax, Business Licence and Customs; as well as Treasury Directives for accounting and reporting revenue.

REU Organizational Structure

12.17 Currently REU administration oversees the Audit function for the DIR with respect to the tax revenue types. We noted that, the Audit and Enforcement Unit is not segregated from other processing units, as it is combined under the umbrella of the REU supervision. Both the REU and the Audit and Enforcement Unit are managed by the same Manager. In addition, accounting activities performed by General Processing Unit, in some aspects, are performed by REU.

12.18 Audit is an independent function that requires administration of the same to be separate and apart from other processing activities or departments, to maintain the independence and objectivity framework. During our review we see the need for management of the Audit Unit to consider an administrative head of the department aligned with the functional structure of the DIR organization; to effectively and efficiently manage the audit activity. In addition, given the volume of VAT registrants and the various nature of the businesses, additional staff is needed with diverse skill sets inclusive of certification.

We recommend that the Audit Unit performing audits of VAT, Real Property Tax and Business License transactions be segregated from REU and restructured as an Audit Department. We further recommend having a licensed accounting practitioner, who possess the relevant credentials, to oversee the administration of this Unit and additional staff with diverse skill sets to meet the audit coverage. Also an Audit Committee designated for oversight and guidance of the Audit Department is also recommended; inclusive of the appropriate reporting lines in the DIR Organizational Chart.

Improvement in Adequate Supervisory Oversight for Operational Efficiency

12.19 In addition to the organizational structure reorganization, we noted that improvement in adequate supervisory oversight is needed throughout the Audit Assessment Process. For example, the audit assessed output VAT amount of VAT \$136,796.54 for a filing period was not entered in the Revenue Management System (RMS); only the input deductible VAT of \$96,664.20. The omission of the \$136,796.54 output VAT resulted in the following:

- The total assessment amount in RMS for the taxpayer for the period should have been \$40,132.34 tax liability; but instead was a refund credit position of \$96,664.20.
- The \$96,664.20 credit amount was carried forward and automatically applied against tax liability for consecutive filing reporting periods.
- In addition to this inaccurate and incomplete data input, late filing and payment penalties and interest totaling \$31,285.10 were waived.
- This data input error on the taxpayer's account spiraled and thus requires a reassessed adjustment amount of \$168,081.64 tax liability inclusive of the \$31,285.10 late filing and payment penalties and interest; that should not have been waived.
- Further the taxpayer is filing quarterly returns; but should be a monthly filer because the gross annual revenue over \$5 million.

12.20 It should be noted that the DIR Revenue Management System is designed to adequately account for late filing and payment penalties, as the process is automated in the Revenue Management System (RMS). In addition, reversal of any amount deemed appropriate is manually adjusted by the General Processing Unit; to maintain segregation of duties, adequate justification audit trail and a strong internal control framework.

We recommend that the taxpayer's account be adjusted to account for the \$168,085.10 tax liability. Also, the filing category of the taxpayer be changed to monthly. We further recommend that cases that warrants appropriate waiving of late filing and payment penalties and interest be processed by the General Processing Unit; to maintain segregation of duties, adequate audit trail and the strong internal control framework.

Waived VAT Interest and Penalties

12.21 Further review of VAT adjustment activities disclosed other cases where interest and penalties were waived from taxpayers' accounts. Reference is drawn to Section 60 (7) of the VAT Act that states: *"The Controller may waive a fine if he/she desires to; but not interests and penalties."*

The impact of waiving interest and penalty that are deemed inappropriate, results in *"revenue foregone"* and over time the amount escalates and the government's tax agenda is at risk. Shown below in the schedule are the penalties and interest and VAT arrears totaling \$466,337 in outstanding VAT revenue.

WAIVED VAT INTEREST AND PENALTIES & OUTSTANDING VAT SCHEDULE					
VAT REGISTRANT	INTEREST & PENALTIES WAIVED		UNPAID VAT		TOTAL OUTSTANDING VAT LIABILITY (\$)
	ARREARS 2016 (\$)	CURRENT PERIOD 2017 (\$)	ARREARS 2016 (\$)	CURRENT PERIOD 2017 (\$)	
TAXPAYER A	3,987	2,216	18,603	12,806	37,612
TAXPAYER B	-	31,285	-	-	31,285
TAXPAYER C	30,856	6,742	206,269	6,742	250,609
TAXPAYER D	12,365	8,982	-	34,312	55,659
TAXPAYER E	37,343	16,217			53,560
TAXPAYER F	3,987	2,216	18,603	12,806	37,612
TOTAL	88,538	67,658	243,475	66,666	466,337

We recommend that the total outstanding VAT liability of interest and penalties waived \$156,196 be reinstated to the taxpayers' accounts for recovery and deposited to the Consolidated Fund.

BUSINESS LICENSE REVENUE ACTIVITIES

Business Licence Revenue Performance

12.22 For 2016/2017 fiscal period, Business Licence activity generated \$138.69 million (\$138,694,442), an increase of \$43.23 million (\$43,230,139) from the prior year amount of \$95.46 million (\$95,464,303). The 45% revenue performance increase is significant. Although Business Licence revenue increased, the projected \$147.75 million (\$147,750,000) was not met, it fell short by \$9.05 million (\$9,055,558) as shown in the schedule below.

BUSINESS LICENCE COMPARATIVE REVENUE PERFORMANCE 2015/2016 VS 2016/2017				
REVENUE DESCRIPTION	PROVISIONAL ACTUAL REVENUE 2015/2016 (\$)	PROVISIONAL ACTUAL REVENUE 2016/ 2017 (\$)	APPROVED FORECAST REVENUE 2016/2017 (\$)	VARIANCE ANALYSIS (\$)
BUSINESS LICENCE FEES	95,464,303	138,694,442	147,000,000	(8,305,558)
BUSINESS LICENCE PENALTIES, LATE FEES & INTERESTS	-	-	750,000	(750,000)
TOTAL BUSINESS LICENCE REVENUE	95,464,303	138,694,442	147,750,000	(9,055,558)
TOTAL RECURRENT REVENUE	1,989,232,268	2,070,187,632	2,175,960,623	(105,772,991)
BUSINESS LICENCE REVENUE AS A % OF TOTAL RECURRENT REVENUE	5%	7%	7%	9%

Bahamas Institute of Chartered Accountant (BICA) Licensee Certification Letter

12.23 Businesses with an annual turnover of One Hundred Thousand Dollars (\$100,000) are required to obtain a BICA Licensee Accountant’s Certification Letter of the turnover; to accompany the business license renewal application. Review of business licence renewal disclosed that this requirement was not always followed by the DIR; as there were cases where approvals were made and licences issued without obtaining this relevant documentation.

Failing to provide the documentation is in contravention of the 2015 Amendment to Business License Regulations No. 5, which states that:

“Where a business has a turnover of one hundred thousand dollars per annum or more, submitted financial results should be accompanied by a statement as to the turnover of the business certified by a person who is qualified in accounting and who has no interest in the business to which the certificate relates.”

12.24 The schedule below illustrates variances of filed business licence turnover, without the certification letter, when compared to the VAT turnover

impacted the revenue collection amounts by a combined total of \$5.13 million underreported tax dollars.

BUSINESS LICENCES ISSUED WITHOUT THE BICA ACCOUNTANT CERTIFICATION LETTER						
TAXPAYER	BUSINESS LICENCE ANNUAL TURNOVER (\$)	VAT 2015 ANNUAL TURNOVER (\$)	VARIANCE (\$)	DOLLAR VALUE AFFECT ON BUSINESS LICENCE FEE (\$)	DOLLAR VALUE AFFECT ON VAT (\$)	COMBINED TAX DOLLAR VALUE AFFECT (\$)
A	1,680,220	1,680,217	3	-	-	-
B	287,800	187,800	100,000	-	7,500	7,500
C	14,725,569	14,622,898	102,671		7,700	7,700
D	188,766,507	120,706,740	68,059,767		5,104,483	5,104,483
E	1,050,747	887,921	162,826		12,212	12,212
F	893,067	881,067	12,000		900	900
G	63,377,440	63,377,440			-	-
H	106,945	106,945	-	-	-	-
TOTAL	270,888,294	202,451,027	68,437,267	-	5,132,795	5,132,795

12.25 The additional revenue turnover as filed for business licence should have been reported on the VAT filing returns and paid to the Consolidated Fund. In addition to the variances the following were noted:

- I. The amount of \$68,059,767 variance for Taxpayer D requires a field audit by the Audit and Enforcement Unit. The \$188,766,507 business licence turnover filed by Taxpayer D for its grouped entities 2016 licence renewal and associated fees were settled with VAT credit transfers totaling \$2,674,658. Also, refund request cases were not filed for the credits by the taxpayer, for the actual claimable amount to be verified for approval under the General Processing Unit; to flow for completeness in the government management accounting information systems (RMS and the Public Treasury).
- II. Transferring the VAT credits to apply against the business licence fees for the \$188,766,507 business licence turnover, did not allow the appropriate process flow for reporting the \$2,674,658 revenue in the financials and to the Consolidated Fund.

- III. We also noted that for Taxpayer G, both the filed business licence and VAT revenue turnover figure of \$63,377,440 matched, however; the supporting Certified Independent Accountant's Letter was off by \$42,679,481.68. The letter stated \$20,697,958.74. There was no correspondence indication on file that a follow-up was made to have the case revisited for a corrected letter to be provided.

We recommend that the BICA Certified Accountant's Letter be obtained and affixed on file for all business licence renewal approved for turnover of \$100,000 or above. In cases where a notable variance exists between the filed turnovers, follow-up and investigate the difference to have the case revisited for completeness.

Going forward the Business Licence and VAT Turnover Comparative Analysis Annual Report should be reviewed and any differences be investigated for potential revenue recovery.

Business Licence and VAT Turnover Variance Require Revenue Recovery

- 12.26 Review of a VAT Registrant's Account disclosed that \$230,966 should be recovered from the taxpayer for underreporting VAT as follows:

For 2016 business license renewal, \$2,119,325 gross revenue was reported; but no VAT turnover was filed for the related period. This difference attracted \$158,949 VAT.

We further noted, that the taxpayer had been registered for VAT from December 8th, 2014, in time to charge and collect VAT as of January 1st, 2015.

For 2017 business licence renewal, \$1,928,703 gross revenue was reported and \$968,482 for the VAT turnover; resulting in a difference of \$960,221. This difference attracted \$72,017 VAT.

We recommend that the assessed VAT of \$230,966 be applied to the taxpayer's account for revenue recovery.

Strengthening DIR Business License Processing Control Framework

- 12.27 The posting to the taxpayers account by the Business License Unit requires strengthening as errors are occurring due to:
- Insufficient supervisory management review to detect and correct adjusting errors entries;

- Duties are inadequately segregated as it related to authorization, custody and records;
- Insufficient End of Day Reconciliation Report Review to match with appropriate approved management adjustment entry amounts;
- Insufficient documentation on file to substantiate posted adjustments were approved by appropriate management with the affixed signatory.

Examples of detected adjustment errors on several Business Licensees

Accounts are as follows:

1. Credit adjustments totaling \$21,775.82 require reversal to bring taxpayers account to a liability of \$2,061.44 for payment recovery.
2. Credit adjustment for \$12,601.65 require reversal to bring account to accurate zero balance; as the account was paid in full.

We recommend that the credit adjustment entry posting errors be reversed to bring accounts to an accurate balance. In the case of the \$2,061.44 outstanding business licence liability, the taxpayer be given notice of the same to make the payment.

Business Licences Granted Without Relevant Documentation

12.28 During our testing, we observed multiple occurrences in the current period where business licences were processed and granted expeditiously without the applicants providing any of the mandatory agencies approval, namely:

- Department of Physical Planning, to say if the location is zoned to operate such business;
- Department of Environmental Health to ensure proper sanitation is present;
- National Insurance Board (NIB) that must have on its register every legitimate business operating in the country.

12.29 We noted that these prerequisites, listed on the Department of Inland Revenue's webpage: www.inlandrevenue.finance.gov.bs under the Business License Tab and 'Applying For The First Time' were all bypassed and taxpayers were granted licence in most instances within 24 hours.

We recommend that the DIR management request the identified businesses to obtain the relevant agencies approvals and provide the same to the DIR for filing under their accounts; as is mandated by law and required of every

new business operating in the country. Going forward controls be strengthened for the DIR to be compliant with the policy and procedures for processing business licence for new businesses.

Business License Fees Write-Off

12.30 During our review of the Department’s ‘Adjustments By Reason Report’ for the audited period, we observed from the sample selection that some taxpayers received write-off of back years taxes and late filing and payment penalty fees, contrary to policy OPOL06.07.03 that states *“No Business License debt can be written off by the DIR as there is no provision for it in the legislation.”*

SAMPLE OF BUSINESS LICENCE FEES 2016 WRITE OFF AMOUNTS							
TAXPAYER	2016 BUSINESS LICENCE FEE (\$)	2016 LATE PENALTY FEE (\$)	PRIOR YEARS BUSINESS LICENCE FEES (\$)	TOTAL AMOUNT OWED (\$)	AMOUNT WRITTEN OFF / REVERSAL (\$)	TOTAL REDUCED BUSINESS LICENCE FEE (\$)	BUSINESS LICENCE FEE PAID (\$)
A	100	110	1100	1310	1100	210	210
B	1970	100	100	2170	2170	0	0
C	1875	0	0	1875	1875	0	0
D	200	210	400	810	400	410	410
E	100	110	400	610	510	100	100
TOTAL	4,245	530	2,000	6,775	6,055	720	720

We recommend that all businesses that received unjustified write-off fees be made to pay those waived fees in full. Accordingly, the accounts be updated to reinstate the appropriate business licence fees and penalties. Further, all outstanding VAT and Business License revenue inclusive of interest and penalties be recovered and the Taxpayer rightfully fined in accordance with VAT Act, Section 40(4).

Strengthening Value Added Tax and Business License Integrated Controls

12.31 The results of the sampled activities of the VAT and Business Licence revealed control framework weakness concerns. The weaknesses in the

control environment are evident from the number of inconsistencies with the VAT and Business Licence gross sales turnover and in some cases no turnover for VAT reported for the licence renewal.

Weaknesses in the taxation system could result in tax evasion, errors, revenue leakages and irregularities occurring and remaining undetected for an ordinate time.

We recommend that the integrated Valued Added Tax and Business Licence System Controls be strengthened to mitigate the risks of:

- Underreporting VAT Gross Sales Turnover;
- Underreporting Business Licence Gross Sales Turnover;
- Over-reporting input tax deduction to reduce gross sales turnover;
- VAT and Business Licence revenue leakages; and
- Tax evasion, not reporting and remitting tax collected to the government.

To strengthen the VAT and Business License Control Framework, we further recommend that the Data Analytical Tool be fully utilized for “Big Data Analysis” to intelligently detect in a timely fashion errors and anomalies that may occur for swift corrective measures and to collect all the revenue to be had. In addition, increase in audit assessment coverage as mitigation risk control and to recover revenue in all aspects.

Establishing Tax-Fraud Investigations Unit

12.32 Tax revenue is the major source of government funds to facilitate its operations. A major threat to collecting the government taxes is tax evasion. Tax evasion is illegal as it entails deliberate acts of:

- Misrepresentation of material facts to reduce tax liability;
- Dishonest tax reporting by declaring less income and VAT to underreport tax payable;
- Overstating tax deductions to obtain tax refunds.

Taxpayers that are subject to tax, but fail to register, file and pay their taxes denotes signals of tax evasion that warrants the need to initiate cases for fraud investigations. Withholding taxes collected, the public money, and not paying it to the government as mandated by law, is defrauding the government. Cases highlighting the same require further investigation to determine the extent of the practice.

The Tax Fraud Investigation Unit structure will have an intelligence framework to get the job done with practitioners, but not limited to, from:

- The Legal Profession
- Tax Attorneys
- Forensic Accountants
- Fraud Examiners
- Law Enforcement Officers
- Investigators
- Cyber-Techs

12.33 The combined skill force is needed and the appropriate legislation to achieve the results of strong mitigation controls and to recover the government revenue. More importantly, financial crimes and corruption continue to increase globally, this unit will play a pivotal role in the government integrated financial operations systems to harness accountability and good governance of the government tax administration.

We recommend that a Tax Fraud Investigation Unit be established to:

- Add value to the government mitigating fraud risks;
- Serve as a tool to increase voluntary compliance;
- Undergirds and supports the mission of the DIR;
- Serve as a deterrent to tax crimes;
- Hold tax frauds and evasion at bay;
- Ultimately serve as a powerful revered far reaching tool; to protect the Commonwealth of The Bahamas internal revenue; with robust enforcement to stop the revenue leakages and protect the public money.

Tax Compliance Unit

12.34 According to the Department's policy on its home page www.inlandrevenue.finance.gov.bs that states 'Before the department can issue a TCC, several agencies are contacted to ensure that the taxpayer is current with all its obligations to the government', however, we found that some taxpayers were granted Tax Compliance Certificates that had outstanding debts with relevant agencies.

We recommend that policies and procedures governing the administration of the Tax Compliance Certificate be adhered to for the efficient, effective and equitable tax administration for the country.

REAL PROPERTY TAX

12.35 Real Property Tax was established in 1969 to assist the government with its financial operations for the betterment of the country and its citizens. Hence, Real Property Tax is one of the oldest form of taxation in the country. Over the years, the country was faced with collection of the RPT revenue as the outstanding amount is a large sum. The DIR challenges facing the administration of collecting all of the tax revenue are due to:

- Returned of mails for the tax billing letters notification to the taxpayers;
- Increasing cumulative tax arrears for nonpayment;
- The Tax Roll/Register requires updating – to have all taxpayers who should be on the roll included;
- The need for reassessment of all properties to have the correct valuation and category for the correct billings for the tax collection; and
- Continuous need for the modernization and transformation of the Real Property Tax System and update of proper data to improve the tax administration.

12.36 Supreme Audit Institute Bahamas (SAI- Bahamas) is aware of the ongoing \$7.2 million Tyler Project that is advancing the course of modernization of the Real Property Tax Administration. It is important to note that up to the time of completion of the RPT Revenue Component Audit for 2017 fiscal period, SAI-Bahamas is progressively engaged in a Performance Improvement Audit of Real Property Tax. SAI-Bahamas is being provided with technical assistance from the Inter-American Development Bank (IDB) Technical Assistance Consultancy for the Real Property Tax Performance Improvement Audit.

12.37 In summary, the Real Property Tax (RPT) Performance Improvement Audit encompasses capacity building amongst the Integrated Financial Management Information Systems (IFMIS) and advancing the Public Financial Management (PFM) initiatives. Accordingly, the audit for improvement processes aims to:

- Contribute to improved economy, efficiency, effectiveness in the public sector;
- Contribute to good governance, accountability and transparency,
- Provide new information, analysis or insights and, where appropriate, recommendations for improvement;

- Determine whether decisions by legislature or executive are economically, efficiently and effectively prepared and implemented, and whether taxpayers or citizens have received value for money.

The audit is progressing as we have met with key stakeholders across the ministries and department in advancing the improvement initiatives.

The detailed results of the RPT Performance Improvement Audit will subsequently follow the 2017 Report of The Auditor General.

2017 Real Property Tax Revenue Performance (RPT)

12.38 The DIR Real Property Tax (RPT) Revenue Performance for 2016/2017 showed notable improvement, as the \$120.58 million collected, in this fiscal period, surpassed the \$103.74 million collected in 2015/2016. The revenue grew by 16%, an increase of \$16.84 million. We noted that, although the RPT 2016/2017 revenue collection beat the prior year performance, the budget expectation of \$153.5 million was not met. The revenue collected went under budget by \$32.91 million shown in the schedule below.

REAL PROPERTY TAX REVENUE COMPARATIVE ANALYSIS 2016/2017				
REVENUE CLASSIFICATION HEAD/ITEM	PROVISIONAL ACTUAL REVENUE 2015/2016 (\$)	PROVISIONAL ACTUAL REVENUE 2016/2017 (\$)	APPROVED FORECAST REVENUE 2016/2017 (\$)	REVENUE VARIANCE ANALYSIS 2016/2017 (\$)
9031100 Commercial Property Tax	49,559,952	44,969,013	51,000,000	(6,030,987)
9032100 Owner Occupied Property Tax	30,767,611	33,750,957	42,500,000	(8,749,043)
9033100 Foreign Owned Undeveloped	23,412,991	29,854,801	43,000,000	(13,145,199)
9034100 Residential Properties	-	12,007,191	17,000,000	(4,992,809)
TOTAL	103,740,554	120,581,962	153,500,000	(32,918,038)
REAL PROPERTY TAX REVENUE COLLECTION INCREASE 2016/2017				16,841,408

The major factors that contributed to the underperformance of the revenue are:

- The huge amount of returned mails for the taxpayers RPT Billing Notification;
- The low rate of voluntary compliance;

- The continuously increasing enormous outstanding RPT revenue collection.

12.39 The Real Property Tax Performance Audit in progress is nearing completion and we are aware of efforts being made to address these major problems to improve the efficiency in revenue collection of RPT.

We recommend that the project in progress to obtain the current mailing addresses inclusive of email contacts for all the RPT taxpayers on the Tax Register be completed as soon as practicable. Robust collection controls be followed for the continuous improvement in revenue collection for notable growth and sustainability.

Real Property Tax Outstanding Revenue

12.40 The DIR continue to be faced with the challenge of collecting the RPT outstanding revenue, as the arrears continue to increase annually. The uncollected RPT for 2017 (current tax period) totaled \$42.4 million, an increase of \$5.9 million over the prior year’s figure of \$36.49 million. The cumulative \$522.26 million RPT outstanding revenue up to 2017 as detailed below includes:

- \$42.4 million current amount;
- \$309.10 million prior years, and
- \$170.76 million surcharge

REAL PROPERTY TAX OUTSTANDING REVENUE 2016 vs 2017 COMPARATIVE ANALYSIS			
TAX PERIOD	JULY 2015-JUNE 2016 (\$)	JULY 2016-JUNE 2017 (\$)	INCREASE/(DECREASE) OVER THE FISCAL YEAR (\$)
CURRENT	36,496,478.03	42,402,610.25	5,906,132.22
PRIOR YEARS	283,767,364.66	309,102,317.35	25,334,952.69
SURCHARGE	159,344,796.39	170,760,327.71	11,415,531.32
CUMULATIVE	479,608,639.08	522,265,255.31	42,656,616.23

Data Source: RPT Management Information System

12.41 We noted that both the three (3) Private Debt Collection Agencies and the DIR Revenue Enhancement Unit are engaged in collecting the outstanding RPT revenue.

We recommend that robust efforts continue to be made to collect the RPT outstanding revenue, to reduce the huge amount of \$522.26 million, so as

to realize the benefits this source of revenue was initiated to contribute to the financial operations of the country and its citizens.

Real Property Tax Revenue Contribution to Total Recurrent Expenditure

12.42 The government uses the tax as the major source of revenue to provide services for the sustainability of the health, social, economic and safety well-being of the country and citizens. Failing to collect all the RPT revenue to be had results in less contribution to the recurrent expenditure and allows for new initiatives to be taken by the government; to secure additional source of needed revenue and at times funding for sustaining essential services and programmes.

In terms of the DIR RPT revenue collection contribution towards the \$2.86 billion 2016/2017 recurrent expenditure, the \$120.58 million is 4%, as shown below. The recurrent expenditure grew by 21%, an increase of \$490.64 million over the prior period; while the RPT revenue went up by 16%, an increase of \$16.84 million.

REAL PROPERTY TAX REVENUE CONTRIBUTION TO RECURRENT EXPENDITURE 2016-2017			
REVENUE CLASSIFICATION HEAD/ITEM	2015/2016 (\$)	2016/2017 (\$)	CUMMULATIVE TOTAL (\$)
TOTAL REAL PROPERTY TAXREVENUE	103,740,554	120,581,963	224,322,517
TOTAL RECURRENT EXPENDITURE	2,375,114,252	2,865,758,870	5,240,873,122
REAL PROPERTY TAX REVENUE AS % OF RECURRENT EXPENDITURE	4%	4%	4%

12.43 The importance of the RPT and continuous improvement over the collections and compliance controls for revenue growth is paramount. The DIR contribution of RPT as a revenue source to assist with the recurrent expenditure could increase; given robust collection of the outstanding revenue to be had.

We recommend robust controls to pursue and collect the outstanding RPT revenue for efficiency, effectiveness and good governance to meet tax fairness, accountability and transparency standards for good governance.

The DIR Debt Management Framework

12.44 Collection of the government's debt receivables to enhance revenue is critical and requires the best solution, technology and overall tools to maximize efficiency in collection the outstanding millions of dollars. The DIR Debt Management Processing to collect the receivables is not centralized as the outstanding debt is being managed and collected by:

- The Finance/Accounts Section
- Debt Management Unit
- Revenue Enhancement Unit
- Private Collection Agencies

In some aspects the decentralization of the same activity lead to:

- Duplication of efforts, processes, policies and procedures were not consistently followed;
- Economies of scale is not present to achieve the realizable benefits; as the tools, workflow processes and technologies under the various units differ.

We recommend that going forward, the DIR improved the Debt Management Framework for integrated comprehensive reporting coupled with advanced automation for effective decision making. Consideration should be given to restructuring the collection process under one umbrella of a Debt Collection Management Operation for centralization with improved:

- Structured policies and procedures to streamline the collection processes;
- Centralized processes to increase collections and reduce redundancy ;
- Debt Management Performance Markers to track productivity;
- Case Management Tools to effectively and efficiently manage collections;
- Maximization of expertise and best practice processes;
- Digitization of Receivables Data Management for effective reporting and tracking capabilities;
- Realizable benefits with economies of scales to be had with increased collections and swift revenue recovery tools.

Conclusion

- 12.45 The Department of Inland Revenue plays a very pivotal role in the collection of the government's revenue and for providing effective tax administration services for the accountability, transparency, and economy of the country and good governance. The concerns highlighted in the report warrants management redress for effective solutions for improvement as a *"Center of Excellence"* revenue collection authority.
- 12.46 Dynamising the continuous improvement process throughout the DIR is designed to result in good success for revenue generating, collections rate increase, improved services with ease of doing business, tax compliance efficiency and ultimately good tax administration. We further this advocacy for the benefits of the country and its citizens.
- 12.47 We extend our appreciation to the management and staff of the Department of Inland Revenue for the courtesy and cooperation given throughout the audit process. We remain resolve in capacity building of the DIR and throughout the related integrated systems, Ministries, Departments and Agencies (MDAs) in fulfilling our responsibility in the national accountability architecture.

Managements Response

- 12.48 We have reviewed your audit report in reference to OAG/C9/1 for the period July 1, 2016 to June 30, 2017. In that regards, recommended controls and necessary measures as per your audit findings will be actively pursued.

We thank you for your input in this regards which together with our efforts augurs well for the overall enhancement of the department.



SECTION THIRTEEN

PENSION

PENSIONS

13.01 The Public Service Pension Plan, governed by Chapter 43 (previously Chapter 35), of The Statute Laws of The Bahamas, is non-contributory. The plan covers the award of pensions and gratuities to public officers. To qualify for the award of a pension, officers must:

- Be members of the Pensionable Establishment; and
- Have a minimum of five (5) years continuous service before reaching the mandatory age of retirement.

13.02 Pensionable officers may retire early, with the award of pension, provided they meet at least one (1) of the options stipulated in The Pensions Act. The Pensions Register below denotes the pensioners head count obtained at end of May 2016 and June 2017 respectively.

Pensions To Officials Payroll Register Pensioners Head Count 2016 -2017			
Month/Year	New Providence	Grand Bahama	Total Pensioners
May 2016*	5,391	102	5,493
June 2017	5,641	104	5,745

**This information was unavailable at June, 2016, end of fiscal period*

Pensions to Officials

13.03 In 2016/2017 the overall pension expenditure totaled \$91.54 million (\$91,549,377). This amount was distributed among the various pension segments as shown in the schedule that follows.

PENSION EXPENDITURE COMPARATIVE ANALYSIS 2016 vs. 2017				
EXPENDITURE/ HEAD ITEM CLASSIFICATION	ACTUAL EXPENDITURE 2015/2016 (\$)	ACTUAL EXPENDITURE 2016/2017 (\$)	APPROVED ESTIMATES 2016/2017 (\$)	UNDER /(OVER) THE ESTIMATE (\$)
05-0921200 Pensions To Officials	83,322,187	90,063,937	78,913,300	(11,150,637)
22 -921300 Parliamentary Pensions	1,863,010	1,402,367	1,730,000	327,633
22 - 912300 War Veterans & Widows Pensions	9,508	5,391	25,000	19,609
22 - 921600 Pensions - Ex-Service Men (Br. Legion Fund)	14,570	14,600	14,600	-
22 - 921700 Widows & Orphans Pensions	82,090	63,082	135,400	72,318
TOTAL	85,291,365	91,549,377	80,818,300	(10,731,077)

13.04 The Pensions to Officials expenditure went over the budget by \$11.15 million (\$11,150,637), equivalent to 14% of the \$91.54 million. Over the previous year, actual expenditure went up by 8%, an increase of \$6.74 million (\$6,741,750) over the \$85.29 million. This is due to the fact that the pension payroll register head count is increasing. Data was available up to May 2016, the count was 5,493 and up to June 2017; it was 5,745.

Parliamentary Pensions

13.05 Actual expenditure for Parliamentary Pensions is reported as One Million, Four Hundred Two Thousand, Three Hundred Sixty Seven Dollars (\$1,402,367). The audited amount was One Million, Six Hundred Twenty Eight Thousand, Seven Hundred Twenty Four Dollars (\$1,628,725), a difference of \$226,358. The difference is a result of period 10 (April) and period 11 (May) amounts not being posted.

Three (3) persons were terminated from the parliamentary pensions' payroll for this reporting period, 2016/2017.

We recommend that posting for pensions' payment expenditure be current for completeness and accurate financial reporting.

War Veterans and Widows Pensions

13.06 Disbursements for War Veterans and Widows Pensions amounted to Five Thousand, Three Hundred Ninety One Dollars (\$5,391), a reduction by \$ 4,117 or 43% from the previous year.

Pensions - Ex-Service Men (Br. Legion Fund)

13.07 Disbursements for Ex-Service Men (Br. Legion Fund) pensions totaled Fourteen Thousand, Six Hundred Dollars (\$14,600).

Widows and Orphan Pensions

13.08 Payments for Widows and Orphan Pensions totaled Sixty Three Thousand, Eighty Two Dollars (\$63,082). The audited amount was (\$75,010); hence, a difference of \$11,928. The difference was due to the fact that period 10 (April) and period 11 (May) amounts not being posted.

We recommend that all posting for pensions' payment expenditure for the fiscal period be captured; for completeness and accurate financial reporting.

13.09 During the period one (1) person was terminated from the Widows and Orphans Pension payroll (by reason of detail). There are currently Nineteen (19) persons on the payroll.

We recommend that all transactions for pension expenditure be posted for completeness and accurate financial reporting. Actual payments should match the financial record for the annual reporting, as such all periods within the year should be captured.

Gratuities

13.10 The gratuities expenditure for 2016/2017 totaled over \$26.3 million (\$26,312,295). From the previous year 2015/2016 this went down by \$2.67 million (\$2,672,593), which is equaled to 9% as shown in the schedule that follows.

GRATUITIES EXPENDITURE COMPARATIVE ANALYSIS 2016 vs. 2017				
EXPENDITURE/ HEAD ITEM CLASSIFICATION	ACTUAL EXPENDITURE 2015/2016 (\$)	ACTUAL EXPENDITURE 2016/2017 (\$)	APPROVED ESTIMATE 2016/2017 (\$)	UNDER /(OVER) THE ESTIMATE (\$)
05 - 922200 Public Officials/Staff Gratuities	28,954,202	26,312,295	27,000,000	687,705
22-Parliamentary Officials Gratuities	30,686	-	400,000	400,000
TOTAL	28,984,888	26,312,295	27,400,000	1,087,705

13.11 The 2016.2017 recurrent revenue was over \$2.07 billion (\$2,070,187,632) and the expenditure over \$2.86 billion. We noted that the \$117.86 million pensions and gratuities consumed 6% of this revenue and 4% of the expenditure. The combined pensions and gratuities analysis schedule below, further depicts these figures.

PENSIONS & GRATUITIES OVERALL COMPARATIVE ANALYSIS 2015/2016 VS 2016/2017				
EXPENDITURE/ HEAD ITEM CLASSIFICATION	ACTUAL EXPENDITURE 2015/2016 (\$)	ACTUAL EXPENDITURE 2016/2017 (\$)	APPROVED ESTIMATE 2016/2017 (\$)	UNDER /(OVER) THE ESTIMATE (\$)
Total Pensions	85,291,365	91,549,377	80,818,300	(10,731,077)
Total Gratuities	28,984,888	26,312,295	27,400,000	1,087,705
Overall Pensions and Gratuities Total	114,276,253	117,861,672	108,218,300	(9,643,372)
Total Recurrent Expenditure	2,375,114,252	2,865,758,870	2,320,701,622	(545,057,248)
Overall Pensions and Gratuities Total As % of Recurrent Expenditure	5%	4%	5%	2%

13.12 The combined pensions and gratuities total expenditure for 2016/2017 was over \$117.86 million (\$117,861,672). Over the prior year this is a growth of \$3.58 million (3,585,419), which is equaled to 3%. The growth continues along with the aging population.

We recommend that, while the Pension Restructuring Project is under review, a Pension Plan Safety Net Fund be established; to set aside funds to assist with:

- Facilitating future payments;
- Mitigate the associated underfunded risks; and
- To have a best practice pension framework in place inclusive of the Pension Funds Risk Management Framework.



SECTION FOURTEEN

TREASURY FINAL ACCOUNTS

Bank Reconciliation

14.01 We reviewed the Bank Reconciliation procedures and controls, and noted that improvement is needed to address the following findings and associated risks:

- Material reconciling items were not cleared on a timely basis;
- Many items were not cleared for twelve months;
- Electronic Bank Statements, to facilitate further testing, were unavailable;
- Journal entries in details from the Bahaval System could not properly be reviewed;
- No restrictive endorsement placed on incoming cheques for Stamp Tax Revenue at the Registry, before forwarding for cash receipting;
- A number of manual cheques issued were not recoded in a timely fashion. Hence, checks issued and not recorded for a protracted period of time is a significant control weaknesses that could result in irregularities or risk of financial loss.
- At year-end numerous Family Island Bank Accounts were in overdraft position.

14.02 Delay in clearance of large reconciling items and timely adjustments not made could materially distort the reported cash position, and negatively impact ongoing financial decision. More importantly, it could negatively impact the ability of management to produce a meaningful budget.

We recommend the following procedures for improvement:

- Reconciling items be cleared in the subsequent month;
- Timely adjustments be made to reflect accurate cash position for decision making.
- Electronic bank statements be made available to facilitate an effective and efficient audit process.

- Upgrade to Bahaval System to include field capacity to capture relevant journal entry details to facilitate more clarity.
- Restrictive endorsement be placed on all incoming cheques upon receipt to prevent possible misappropriation.
- Strengthen the internal controls over cash to ensure issued cheques are recorded on a timely basis.

Treasurer Response

14.03 This issue has been addressed and there is improvement. Hard copies of Bank Statements are forwarded to Audit Department upon request, however, going forward we should be able to provide electronic Bank Statement information.

When processing journals, brief information is inserted in the description filed. We will look at expanding description. However, cheques coming in are recorded in a register.

The Family Island Bank Accounts, going into overdraft should be taken up with the Family Island Administrator and the Department of Local Government.

Cash and Bank Balances – Deposit Fund Accounts

14.04 The bank reconciliations for the Deposit Fund Accounts are not being prepared within thirty (30) days. In addition, the accounts are not being reconciled and as such, errors and/or irregularities could occur and remain undetected for extended periods.

We recommend that the monthly Bank Reconciliation Statement be prepared within thirty (30) days to ensure the maintenance of accurate financial records. The statements should be made available for audit review.

Treasurer Response

14.05 The Deposit Fund Bank Reconciliation Statement is prepared monthly, with regular review. The improvement in preparing within (30) days is in progress to be achieved in subsequent reporting.

Notes and Disclosures to the Financial Statements

14.06 Review of the Notes and Disclosures to the Financial Statements revealed that additional expansion is needed for the following disclosures:

- Pension obligation;
- Subsequent events; note for significant transactions or events that occurred after the reporting period;
- Contingencies such as litigation;
- Financial risk exposure note (market, interest rate, foreign currency, credit and liquidity risks description exposures and the mitigating risks strategies);

We recommend that the Notes and Disclosures to the Financial Statements be expanded to include:

- Pertinent pension details;
- Material subsequent events;
- Financial risk disclosures.

Consideration should be given to providing more detail on contractual commitments, including operating and financial leases, pension obligations, and funding and contingencies including overall position on litigations and claims.

Treasurer Response

14.07 Every year we continue to expand on the notes to the financial statements.

Public Debt Statement and Summarized Schedule

14.08 We noted that the 2017 Public Debt Statement and Summarized Schedule roll forward figure, for the 2016 outstanding balance for Loans Syndicated Payable US\$ and Other Currencies, differed by Thirty Two Million, Seven Hundred Twenty Five Thousand, Four Hundred Seventy Four Dollars (\$32,725,474). Further inquiries disclosed that the error occurred due to not having embedded recheck controls for the calculation formula, as the process is not fully automated. The same was communicated during the audit. Subsequent audit follow-ups were made regarding request for the correction of the error and the adjustments to be made accordingly.

We recommend that the adjustment be made to the 2017 Public Debt Statement and Summarized Schedule and related Notes. In addition, consideration should be given to the following recommendations for improvement:

- Consideration should be given to having a Debt Management Software to be fully automated to harness controls and accurate reporting;
- Continuous review of the Public Debt Master Data File/Register for accurate update;
- Link the Public Debt Statement and Summarized Schedule to the Master Data File;
- Provide the linking document electronically for Final Accounts Audit Examination Process;
- Provide the current portion of the long-term debt and the interest schedules electronically for Final Accounts Audit examination Process;
- Disclose terms of the individual loans and debt security including the interest rates, maturity and any special or restrictive covenant;
- Disclose the purpose of the loans/debt security.

We further recommend that a separate summary should be provided to reflect the maturity level break-down as follows:

- Due within one year
- Due within 2-5 years
- Due more than 5 years

Treasurer Response

14.09 The Public Debt Statement and Summarized Schedule roll forward figure for 2016 outstanding balance for Loans Syndicated Payable US\$ and Other Currencies have been rechecked and reconciled. The process is not fully automated, however, plans are in progress.

There is a Debt Software CDRMS, however, it is managed by the Central Bank and we have limited access, however; we will seek to determine how we can benefit more from this.

- The continuous update and review of the Register is assigned.
- The link of Public Debt Statement and Summarized Schedule to the Master Data File has been attempted before, however; we are in the process of acquiring additional tools to assist.
- This was subsequently provided.
- Noted.
- The separate Summary has been noted.

Salary Advance

14.10 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. From our previous Audit Report, we noted that the Treasurer accepted the recommendation for the JD Edwards to be interfaced with the CA System.

We further recommend, during the interim of the systems interfacing process, that the manual reconciliation of the payroll and accounts receivable records be performed for completeness.

Treasurer Response

14.11 Noted.

14.12 We also noted in the AR505 Module (Detail Invoice by Customer) several salary advances that were not recorded. We reference the Treasurer’s response from the prior Audit Report which stated, *“Due diligence will be exercised to ensure that all salary advances are recorded in the AR505 Module.”*

We further recommend, going forward, the completeness of the reconciliation process.

Treasurer Response

14.13 Noted.

Outstanding Salary Advances – Terminated Employees

14.14 Salary advances for terminated employees' outstanding balance totaled Forty Two Thousand, Thirteen Dollars and Eighty Four Cents (\$42,013.84). We reference the Treasurer's response from the prior Audit Report which stated, *"Salary advances are deducted from terminated employees' benefits such a gratuity, vacation pay or otherwise over-the counter payments are made. These payments to be displayed in the updated Masterpiece 4.0."*

We recommend, going forward, the deductions and repayments be captured in the Masterpiece 4.0 for completeness and reconciliation of the Accounts Receivable. Additionally, the remaining balance continue to be pursued for recovery.

Treasurer Response

14.15 We do recover outstanding balances from terminated and retired employees' benefits such as gratuity and vacation pay, and in some cases they do pay over the counter. The Upgraded Treasury Financial Management System (TFMS) 4.0 implementation will allow for updated version of Accounts Receivable to be used for maintaining balances on salary advances.

Incomplete Salary Advances Deductions Payments

14.16 During our review of the JD Edwards Payroll System, it was noted that nine (9) officers from various Ministries/Departments did not complete the required payments, leaving an outstanding balance of Six Thousand, Four Hundred Thirty One Dollars and Thirteen Cents (\$6,431.13).

We recommend that the salary advance deduction be reinstated to recover any outstanding amount from the officers. Also, any amounts paid over-the counter by manual receipting be captured in the system for completeness.

Treasurer Response

14.17 Noted.

Payroll Deductions Exceed Salary Limit

14.18 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. In addition, some officers had zero net pay, in that the total deductions equal the gross pay.

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."

Treasurer Response

14.19 These approvals to exceed the 25% threshold are made by the Office of the Financial Secretary.

Public Officers Loans

14.20 During our review of the Public Officers Loan ledger listing, we noted that employees were allowed to have deductions that exceeded 75% of their gross monthly salary. This is a departure from Treasury Circular No.10/09 dated June 29, 2009 however, approval was granted from the Ministry of Finance for employees to exceed the limit on special conditions.

14.21 While reviewing the Public Officers Loan ledger listing, we noted that an employee was approved for a Six Thousand Dollars (\$6,000) loan January 2017; which represents more than 50% of the annual salary. According to the Public Officers Policy, an employee should not be given a loan for more than 50% of their annual salary.

14.22 While reviewing the 2016/2017 Loan Register and For Necessary Action (FNA) we noted that an employee loan for Five Thousand Dollars (\$5,000) was recorded in the register, however, this transaction was not seen on the GL671 Journal Inquiry by Account – Detail Medical Loan.

We recommend that the GL671 Journal Inquiry by Account – Detail Medical Loan be updated to reflect all loans issued during the fiscal period.

Treasurer Response

14.23 Noted.

Dishonoured Cheques (Receivables)

14.24 The Dishonored Cheques (Receivables) balance at year end 2016/2017 is reported as Nineteen Million, Eight Hundred Thirty Six Thousand, and Two

Hundred Sixty Four Dollars (\$19,836,264). We further noted that the aging amounts deemed as uncollectible have been outstanding for an inordinate period. In addressing this concern, we were informed by the Treasurer in the previous Audit Report that the approval process is in progress to have the amounts deemed uncollectible written-off in the 2018/2019 fiscal period.

We recommend that the process be completed to write-off in 2018/2019 the Dishonored Cheques deemed uncollectible.

Treasurer Response

14.25 A recommendation along with a draft Cabinet paper is being prepared to send to the Ministry of Finance to have uncollectable portion of Dishonored Cheques written off.

Conclusion

14.26 SAI Bahamas audit of the Treasury Final Accounts 2016/2017 noted significant improvement by Treasury Management in the accounting and reporting of the financial activities of the Government of The Commonwealth of The Bahamas. However, we noted that more improvement is required for bank reconciliations and the revenue control accounts.

14.27 SAI Bahamas is fully aware of the challenges facing the Treasury Department with the need for additional skilled workforce, digitization and integration of systems for the modernization and transformation of the structure of the Commonwealth of The Bahamas national, central and local government accounting and management information systems for better efficiency, effectiveness, good governance and accountability. Dynamism and optimism of these improved governance initiatives are foreseeable and realizable with the full implementation of:

- IFMIS (Integrated Financial Management Information Systems ;
- Public Financial Management (PFM) and Public Monitoring Reform;
- Recruitment and assignment of additional skilled workers in the Treasury and deployment in the various Ministries, Departments and Agencies (MDAs) in New Providence and the Family of Islands.



SECTION FIFTEEN

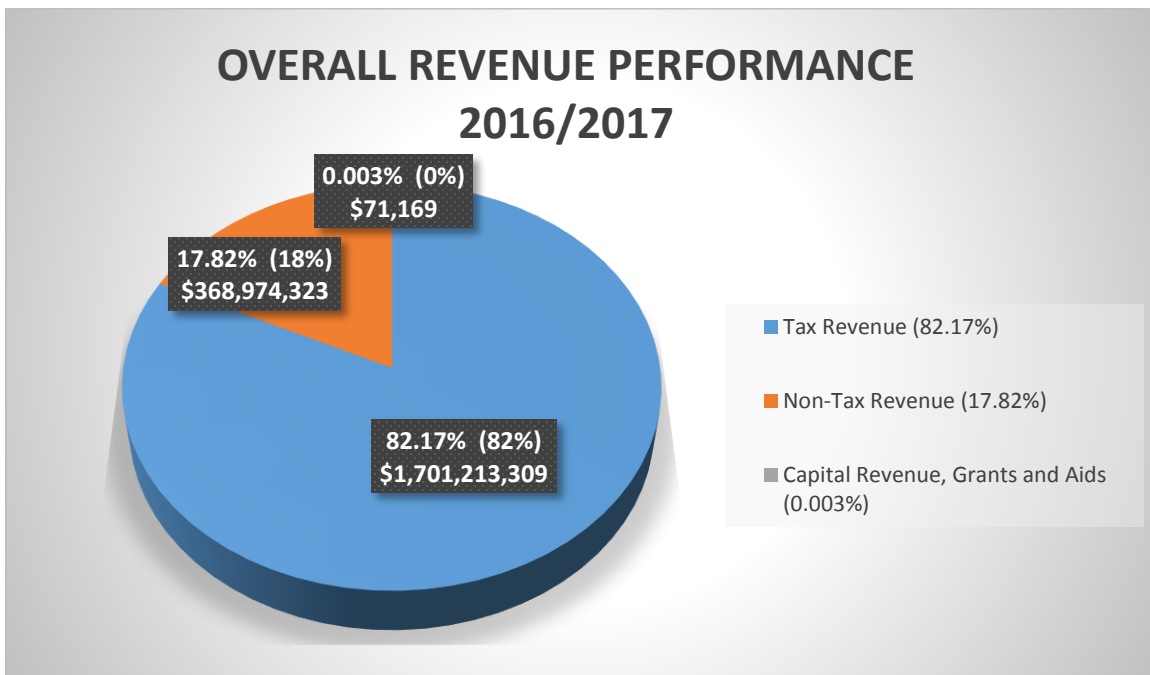
SUMMARY OVERVIEW AND ANALYSIS OF FINANCIAL ACTIVITIES 2016/2017

SUMMARY OVERVIEW AND FISCAL PERFORMANCE ANALYSIS 2016/2017 FINANCIAL ACTIVITIES

Overall Revenue Performance

15.01 The country ran a revenue deficit in 2016/2017, in that, the total expenditure of \$3.25 billion exceeded total revenue of \$2.07 billion. The revenue components for this overall amount are displayed below as follows:

- Tax revenue of \$1.7 billion, equivalent to 82% of the total \$2.07 billion;
- Non-Tax revenue of \$368.97 million, equivalent to 17% of \$2.07 billion total revenue;
- Other revenue receipts of \$71,169 comprised of capital revenue, grants and aids totaled 1% of the \$2.07 billion revenue collection.

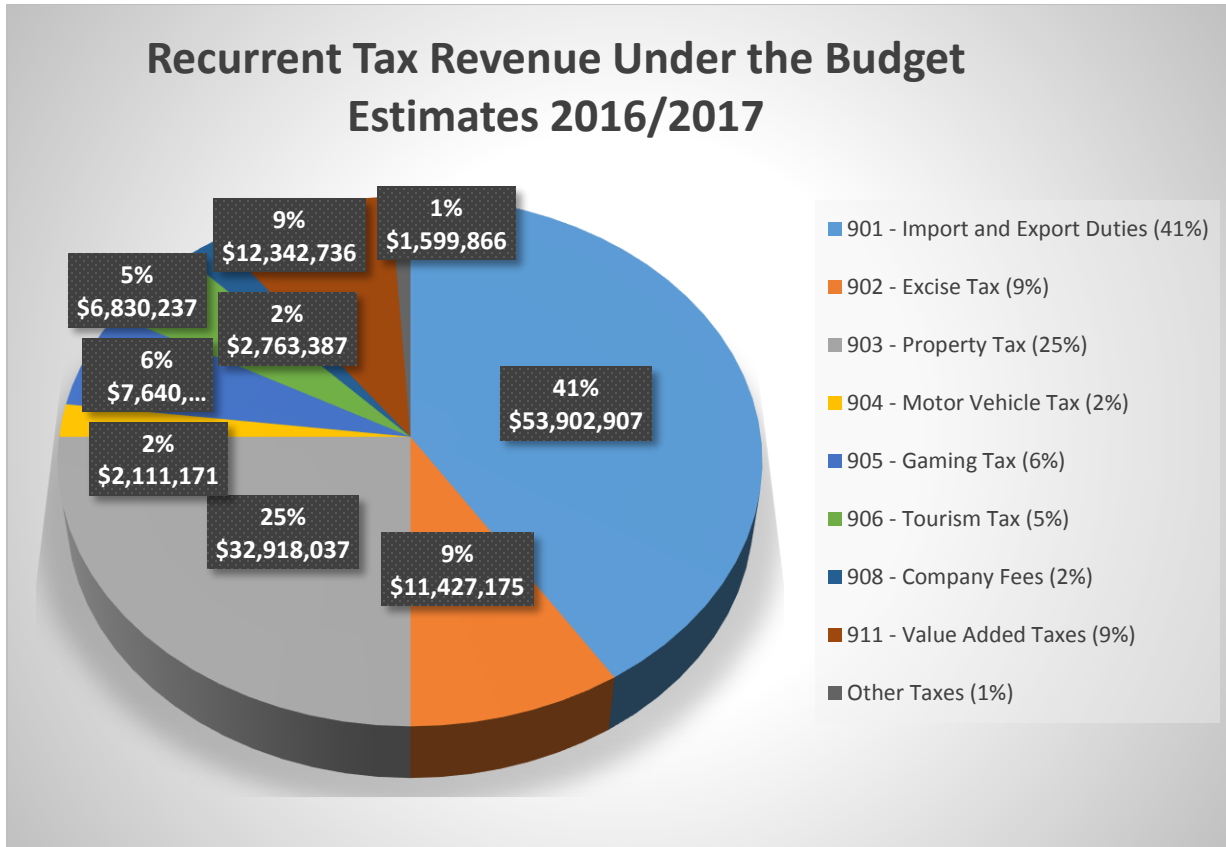


15.02 The total revenue of \$2.07 billion represents growth of 4%, an increase of \$80.85 million as compared to \$1.98 billion reported at June 30, 2016. The revenue growth is noted, however, the \$2.17 billion estimated budget was not met; as there was a 5% shortfall of \$107.9 million. The shortfall was due

in part to major tax revenue falling below the budget estimates; resulting in underperformance of the Revenue Centers.

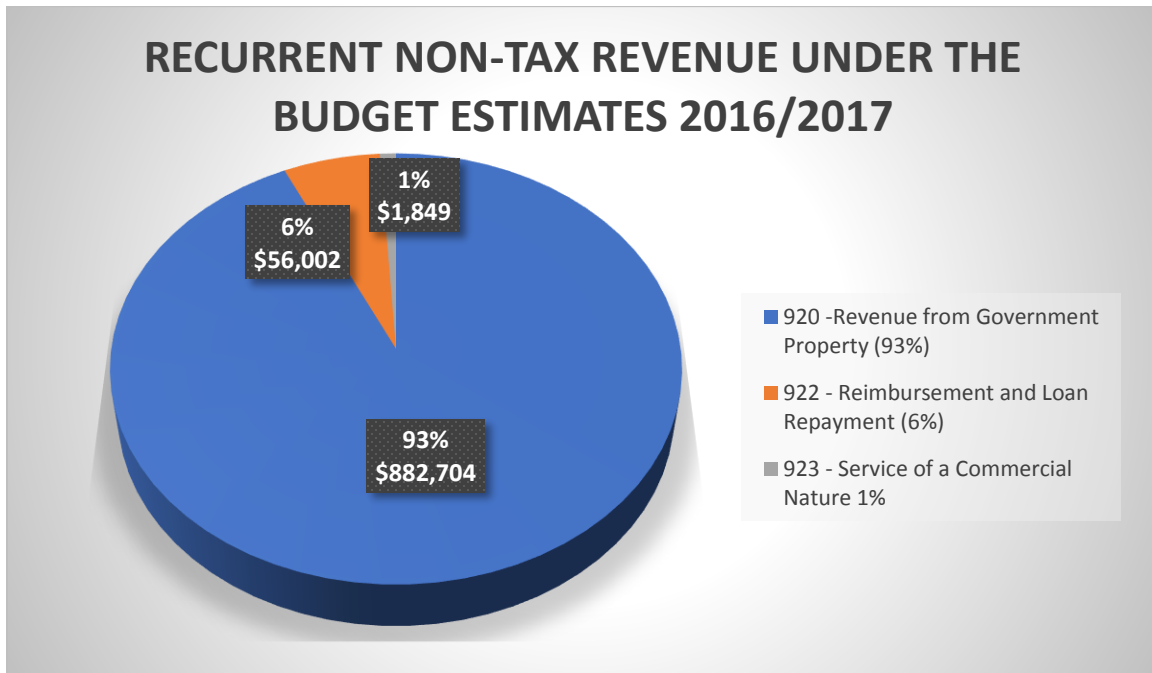
Revenue Centers - Tax Revenue Collection Underperformance

15.03 The revenue underperformance by the Revenue Centers in various Ministries and Departments, responsible for the collection of various taxes and fees, are captured in the chart that follows.



15.04 The 2016/2017 reduction in tariffs and excise taxes couple with the exigency waivers for Hurricane Matthew, in some aspects, contributed to the Bahamas Customs revenue shortfall of \$65.33 million (import and export duties and excise tax) , an equivalent of 50% of the overall revenue underperformance total of \$131.53 million. This was followed by Real Property Tax 25% budget shortfall or \$32.91 million and Value Added Tax 9%, in the amount of \$ 12.34 million. Overall Customs, VAT and Real Property Tax revenue, the three major sources of tax revenue, contributed to 84% or \$110.59 million of the overall revenue underperformance of \$131.53 million.

15.05 The Recurrent Non-Tax Revenue collection fell below budget by less than a million dollars (\$940,555) as shown below. This revenue component accounted for revenue from government property, reimbursement and loan repayment and services of a commercial nature.



Revenue Centers – Revenue Collection Over-performance

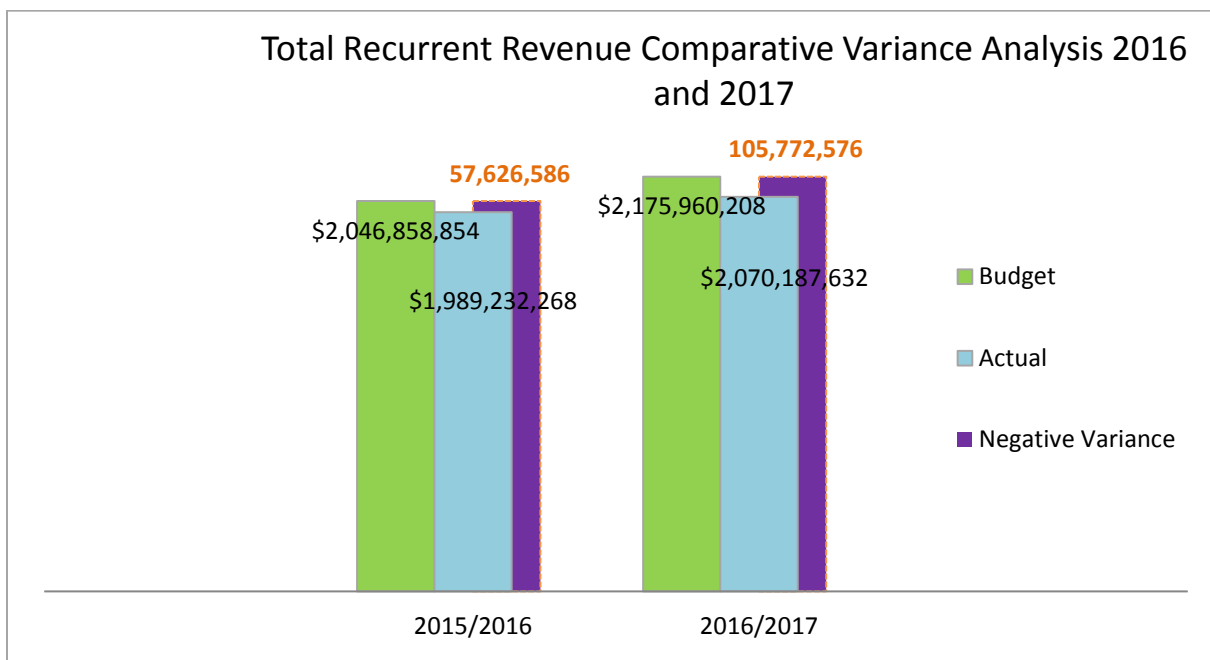
15.06 We noted that revenue collection for several revenue components exceeded budget expectations by a combined total of \$26.7 million as follows:

- Stamp Tax \$7.68 million
- Bank and Trust Companies Fees \$6.27 million
- Fees and Service Charges \$ 6.64 million
- Interest and Dividends \$6.10 million

15.07 The approved budget estimate in comparison to the actual revenue generated for the over performance is shown in the schedule that follows.

NON TAX REVENUE OVER-PERFORMANCE ANALYSIS SCHEDULE 2016/2017			
HEAD - DESCRIPTION	ESTIMATED REVENUE 2016/2017 (\$)	ACTUAL REVENUE 2016/2017 (\$)	OVER THE ESTIMATE (\$)
907 STAMP TAX	104,565,950	112,251,989	7,686,039
909 BANK AND TRUST COMPANY FEES	12,480,563	18,754,610	6,274,047
919 FEES AND SERVICE CHARGES	303,653,947	310,298,321	6,644,374
921 INTEREST AND DIVIDENDS	28,672,750	34,772,764	6,100,014
TOTAL NON TAX REVENUE OVER-PERFORMANCE	449,373,210	476,077,684	26,704,474

15.08 The combination of the \$131.53 million revenue underperformance and the \$26.7 million over-performance resulted in a total unfavorable revenue budget to actual variance of \$105.77 million as depicted in the graph below. Although the 2016/2017 \$2.17 billion revenue budget was not met it exceeded 2015/2016 actual revenue by \$80.85 million as shown in the graph below.



Overall Expenditure Performance

15.09 The actual \$2.86 billion recurrent expenditure for fiscal year 2016/2017 exceeded budget by \$545 million. The Ministries and Departments accounted for about 90% of the over expenditure are highlighted in the schedule below:

COST CENTERS: EXPENDITURE PERFORMANCE ANALYSIS 2016/2017 FISCAL YEAR			
MINISTRY/DEPARTMENT	APPROVED ESTIMATES 2016/2017 (\$)	APPROVED ESTIMATES 2016/2017 (\$)	APPROVED ESTIMATES 2016/2017 (\$)
DEPARTMENT OF PUBLIC SERVICE	181,564,100	236,433,579	(54,869,479)
OFFICE OF THE PRIME MINISTER	17,069,450	89,969,209	(72,899,759)
MINISTRY OF FINANCE	182,506,513	264,986,397	(82,479,884)
TREASURY DEPARTMENT	628,217,738	811,838,241	(183,620,503)
MINISTRY OF PUBLIC WORKS AND URBAN DEVELOPMENT	58,525,710	85,448,473	(26,922,763)
DEPARTMENT OF EDUCATION	191,935,007	200,311,863	(8,376,856)
MINISTRY OF YOUTH SPORTS AND CULTURE	30,724,500	42,770,847	(12,046,347)
DEPARTMENT OF METEOROLOGY	2,150,900	9,252,722	(7,101,822)
MINISTRY OF HEALTH	263,725,030	333,795,964	(70,070,934)
MINISTRY OF TOURISM	82,630,888	94,422,474	(11,791,586)
MINISTRY OF ENVIRONMENT AND HOUSING	18,398,355	28,785,163	(10,386,808)
SUB-TOTAL (COST CENTERS WITH \$5 MILLION OR MORE EXPENDITURE OVER THE APPROVED BUDGET)	1,657,448,191	2,198,014,932	(540,566,741)
OTHER COST CENTERS (MINISTRIES/DEPARTMENTS) OVER EXPENDITURE TOTAL	365,723,820	384,990,079	(19,266,259)
TOTAL EXPENDITURE OVER APPROVED ESTIMATE	2,023,172,011	2,583,005,011	(559,833,000)
TOTAL EXPENDITURE UNDER APPROVED ESTIMATE	297,529,611	282,763,860	14,765,751
TOTAL RECURRENT EXPENDITURE	2,320,701,622	2,865,768,871	(545,067,249)

15.10 The Treasury Department went over the budget by \$183.62 million and the Ministry of Finance \$82.47 million. It is important to note that under the Treasury Department \$396.34 million (\$396,347,268) was expended to fund the Public Debt Servicing Redemption. Also, \$150 million in subventions was disbursed to the government's State-Owned-Enterprises (SOEs).

Borrowings, Grants and Other Capital Income

15.11 The borrowings, grants and other capital income comparative are shown below. When compared to prior year, the receipts went up, as there was an 8% increase of \$47.42 million. Overall, the borrowings, grants and other capital income amounted to \$625.91 million.

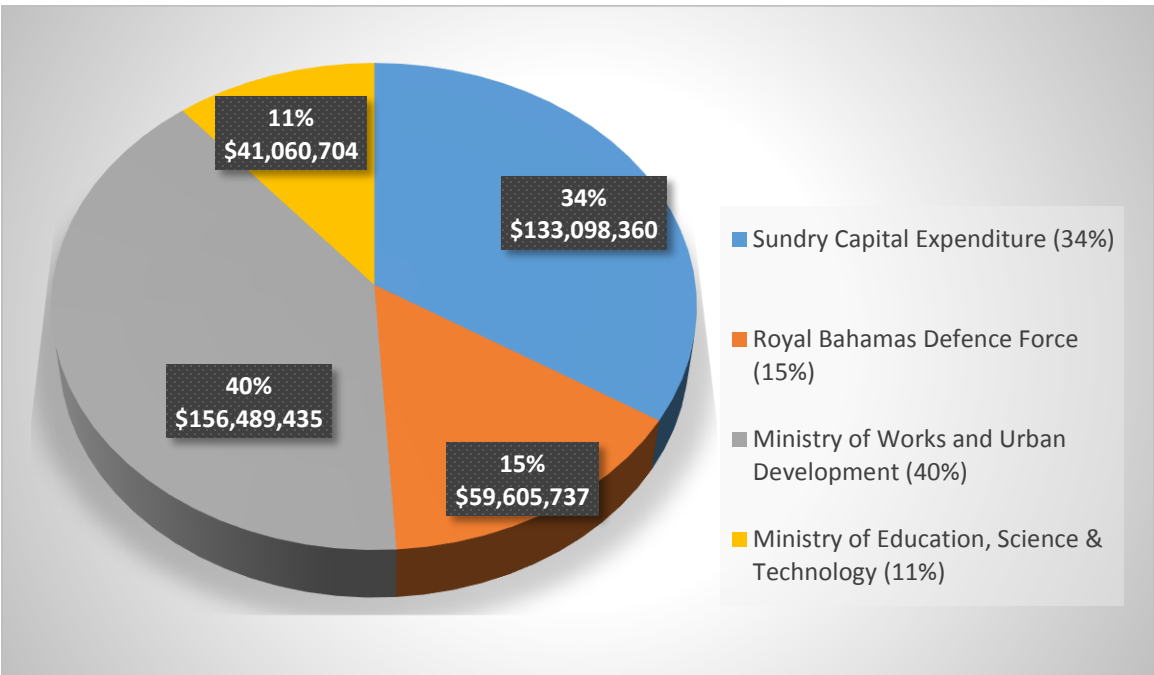
BORROWINGS, GRANTS & OTHER CAPITAL INCOME COMPARATIVE ANALYSIS 2016 VS 2017			
SOURCES OF FUNDS	ACTUAL AMOUNT 2016 (\$)	ACTUAL AMOUNT 2017 (\$)	CHANGE IN FUND BALANCE
Proceeds from Stocks/Bonds	87,310,000	275,000,000	187,690,000
Proceeds from US\$ Loan (Deutsche Bank)	45,000,000		(45,000,000)
Proceeds from credit Suisse Loan	100,000,000		(100,000,000)
Proceeds from Loans Commercial Banks	-	305,000,000	305,000,000
Proceeds from Other Loans	87,834,082	45,847,399	(41,986,683)
Proceeds from TNotes	258,183,000	-	(258,183,000)
Total Proceeds from Borrowings	578,327,082	625,847,399	47,520,317
Proceeds from Grants	111,100	4,780	(106,320)
Proceeds from Sale of Government Assets	57,334	66,389	9,055
Total Borrowings, Grants & Other Capital Income	578,495,516	625,918,568	47,423,052

Capital Acquisitions

15.12 During the fiscal period, funds were expended on capital acquisitions including outlays to corporations. The \$390.25 million major capital acquisitions and capital development for 2016/2017 fiscal year went over the \$242.22 million budget by \$148.14 million as shown in the schedule that follows.

CAPITAL EXPENDITURE: OVER THE 2017 BUDGET ESTIMATE			
Head/Expenditure Line Items	Approved Estimate (\$)	Actual Expenditure (\$)	Over Expenditure (\$)
Sundry Capital Expenditure	67,000,000	133,098,360	66,098,360
Royal Bahamas Defence Force	30,000,000	59,605,737	29,605,737
Ministry of Works and Urban Development	124,614,000	156,489,435	31,875,435
Ministry of Education, Science and Technology	20,500,000	41,060,704	20,560,704
Total Capital Expenditure	242,114,000	390,254,236	148,140,236

15.13 The composition of the \$390.25 million expenditure is further depicted in the chart below. The Ministry of Works and Urban Renewal accounted for 40% of the \$390.25 million, followed by 34% for Sundry Capital Expenditure. The Royal Bahamas Defence Force and the Ministry of Education Science and Technology accounted for 15% and 11 % respectively.



The Budget Deficit Comparative Analysis - the Government Fiscal Performance

15.14 The fiscal performance in 2016/2017 is marked by a deficit of \$1.18 billion, an increase of \$565 million over the prior year 2015/2016. From the analysis below the government injected \$3.25 billion into the economy to facilitate operational services and maintain economic stability, resulting in an increase of 25% over the prior period of \$2.61 billion.

FISCAL PERFORMANCE COMPARATIVE ANALYSIS 2015/2016 VS. 2016/2017				
Fiscal Components	Budget Financial Year Ended 30-June-2017 (\$)	Actuals Financial Year Ended 30-June-2017 (\$)	Actuals Financial Year Ended 30-June-2016 (\$)	Increase /Decrease Over 2015/2016 Fiscal Period (\$)
Recurrent Revenue	2,175,959,623	2,070,187,632	1,989,232,268	80,955,364
Recurrent Expenditure	2,320,701,622	2,865,758,870	2,375,114,252	490,644,618
Recurrent Budget Deficit	(144,741,999)	(795,571,238)	(385,881,984)	(409,689,254)
Capital Revenue	2,207,000	71,169.00	168,354.00	(97,185)
Total Revenue Received	2,178,166,623	2,070,258,801	1,989,400,622	80,858,179
Total Capital Expenditure	242,114,000	390,254,236	234,967,567	155,286,669
Capital Budget Deficit	(239,907,000)	(390,183,067)	(234,799,213)	(155,383,854)
Total Operating Expenditure	2,562,815,622	3,256,013,106	2,610,081,819	645,931,287
Deficit for the Period	(384,648,999)	(1,185,754,305)	(620,681,197)	(565,073,108)

15.15 The fiscal year 2016/2017 was also a period recovering from great natural disaster; two major hurricanes: Joaquin and Matthew. Thus, the expenditures for reconstruction, development and financial outreach to those affected via government programmes and exigency orders impacted revenues and expenditures significantly. To further illustrate the actual \$1,185,754,305 deficit over the estimated approved deficit and the comparatives of prior year the chart below depicts the same.

15.16 Given the increase in the fiscal deficit, we noted that collections from government Ministries, Departments and Agencies (MDAs) that are outstanding, if collected could assist in reduction of the increasing deficit.

We advocate bolstering and transforming the government receivables collection process to generate additional revenue through modernized debt collections mechanisms. The need to improve and retool the government receivables processing is evident and the same is recommended.

Public Debt

15.17 The total Public Debt of \$6.68 billion represented 55% of Gross Domestic Product (GDP) for fiscal year 2016/2017, an increase of \$714M over fiscal year 2015/2016 debt of \$5.96 billion. The Government's Public Debt included a combination of domestic and external debt with The Bahamas Government Stock, its principal funding source. The main components of the external debt comprise of:

- US \$ Bonds;
- Multilateral loans with the Inter-American Development Bank (IDB), and
- Other loans including JP Morgan, Deutsche Bank, Credit Suisse and Chinese concessional loans.

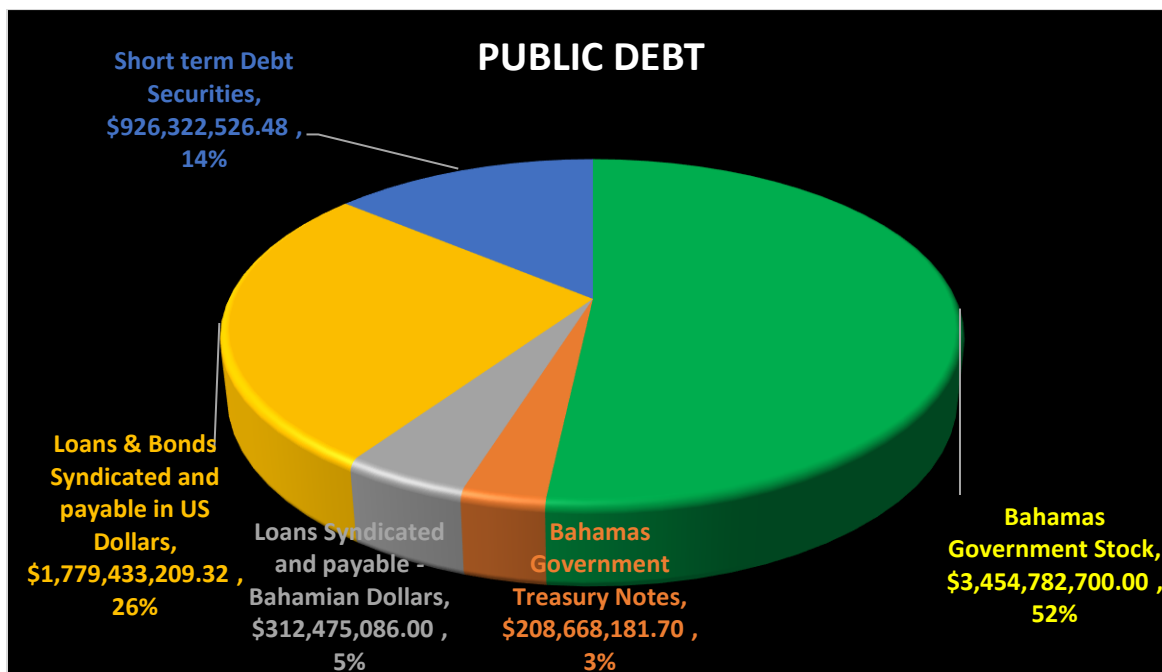
15.18 Public Debt Management remains one of the government's most crucial fiscal policy tools in achieving a stabilized economy, which includes ongoing sound debt sustainability analysis with necessary debt limits. It is important that it ensures flexible loan terms for new loans and in the refinancing of its loans nearing maturity; to enable the government to renegotiate where necessary, or respond appropriately in the event of crisis or financial shock.

15.19 Paramount in the Government's Public Debt Management Policy, is its immense fiduciary duty to its people and future generation. With its long term borrowing having intergenerational impact, borrowing by the government should not only benefit present citizens, but also the future citizens who will be responsible for debt servicing.

15.20 Finally, the government's challenge is to manage its debt level relative to its fiscal risks and forecasted growth of the economy to achieve its optimum debt level. Today's catastrophic events inclusive of the global pandemic crisis posed an unprecedented challenge to the government. Whilst some borrowing is necessary, the government must seek to harness other fiscal policies to regain economic stability.

15.21 The chart in figure 1 below depicts the main components of the public debt.

Figure 1



Domestic Debt

15.22 The Domestic Debt comprised 74% of the total debt portfolio including Bahamas Government Stock of \$3.5 billion, ranging in maturities up to 20 years. Short-term securities included money market instruments such as Treasury Bills and Treasury Notes totaling \$1.1 billion or 17% of the total debt. Finally, Bahamian Syndicated Loans involving local banks totaled \$300M or 5% of the total debt.

External Debt

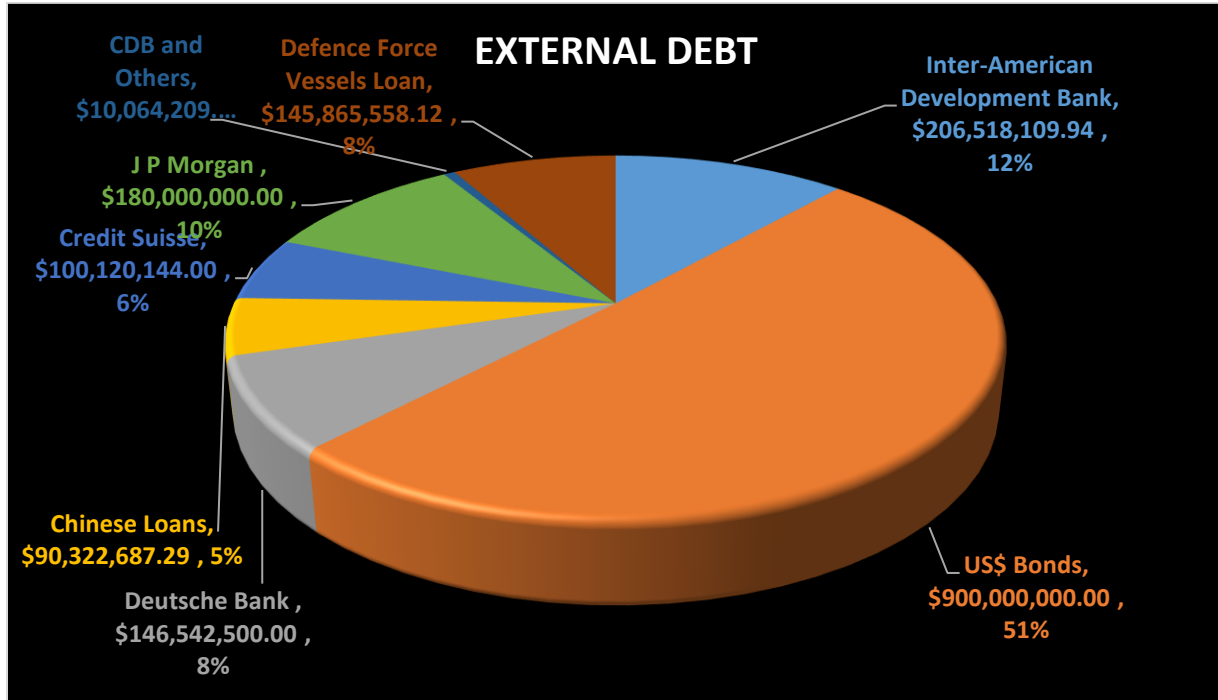
15.23 The External Debt of \$1.8 billion, stood at 26% of the total Public Debt with US\$ Bonds totaling almost \$1 billion or 51% of the External Debt. Other lenders included:

- Multi-lateral loans with IDB of \$207 million or 12% of the external debt;
- JP Morgan - \$180 million or 10% of the external debt;
- Deutsche Bank-\$147 million or 8 % of the external debt;
- Credit Suisse \$100 million or 6% of the external debt; and

- Chinese loans - \$90 million or 5% of the total debt.

The chart in figure 2 below depicts the main components of the external debt.

Figure 2





AUDIT CERTIFICATE

**AUDIT CERTIFICATE
THE FINAL ACCOUNTS OF
THE COMMONWEALTH OF THE BAHAMAS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

In compliance with Section 43 of the Financial Administration and Audit Act, 2010, and as specified under Section 32(3), I have examined the Financial Statements of the Government of The Commonwealth of The Bahamas for the financial year ended June 30th, 2017. These financial statements comprise:

- i. Statement of Financial Assets and Liabilities (Balance Sheet) (Consolidated Fund)
- ii. Statement of Revenue and Expenditure
- iii. Statement of Cash Flow
- iv. Statement of Changes in Consolidated Fund (Current Account)
- v. Statement of Changes in Consolidated Fund (Capital Account)

The examination was conducted 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 circumstance. The Financial Statements are the responsibility of the Treasurer, while my responsibility is to examine and certify the Statements, based on the outcome of my examination, as required by the Financial Administration and Audit Act, 2010.

I 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, 2017.



Terrance S. Bastian (Mr.)
Auditor General

Nassau, Bahamas
February 28, 2020



ANNEX

Balance Sheet – Consolidated Fund.....	Annex 1
Statement of Revenue & Expenditure.....	Annex 2
Statement of Cash Flow.....	Annex 3
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Statement of Consolidated Fund (Capital Account).....	Annex 5
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Balance Sheet

Consolidated Fund

THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
STATEMENT OF FINANCIAL ASSETS AND LIABILITIES (BALANCE SHEET)
AS AT 30-JUNE-2017
(CONSOLIDATED FUND)

	Notes	As at 30-Jun-2017 B\$	As at 30-Jun-2016 B\$
FINANCIAL ASSETS			
Cash and Bank Balances	(11)	60,597,639	89,604,071
Fixed Deposits - Sinking Fund	(18)	103,575,699	117,841,782
Fixed Deposits BoB (Consolidated Fund)	(17)	3,416,480	83,693,618
Dishonoured Cheques (Receivables)	(19)	19,836,264	19,960,052
Advances	(13a)	60,782,207	28,856,797
TOTAL FINANCIAL ASSETS		248,208,289	339,956,320
FINANCIAL LIABILITIES			
CURRENT LIABILITIES			
Bank Overdraft	(10 & 11)	294,587,309	261,134,291
Treasury Bills	(8)	661,957,900	599,281,900
BGRS, Short Term	(8)	270,000,000	0
Short Term Advances	(9)	154,118,143	144,657,052
Salary Deductions Payable	(12)	27,582,700	25,792,118
Other Short Term Depository Liabilities	(13b)	301,897,068	211,118,885
TOTAL CURRENT LIABILITIES		1,710,143,119	1,241,984,245
NET LIABILITIES		1,461,934,830	902,027,925
Supported by			
FUND BALANCES			
Consolidated Fund Current Account		(1,910,709,605)	(1,357,252,346)
Consolidated Fund Capital Development Account		448,774,776	455,224,421
TOTAL FUND BALANCES		(1,461,934,830)	(902,027,925)

the accompanying notes are an integral part of these financial statements



Statement of Revenue & Expenditure

THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
STATEMENT OF REVENUE AND EXPENDITURE FOR YEAR ENDED 30-JUNE-2017

(CONSOLIDATED FUND)

Notes	Budget Financial Year Ended 30-Jun-2017 B\$	Actuals Financial Year Ended 30-Jun-2017 B\$	Actuals Financial Year Ended 30-Jun-2016 B\$
REVENUE			
Recurrent Revenue			
Tax Revenue (4)	1,818,789,133	1,701,213,309	1,579,023,982
Non-Tax Revenue (4)	357,170,490	368,974,323	410,208,286
SUB-TOTAL (4)	2,175,959,623	2,070,187,632	1,989,232,268
Refund of Revenue		-	-
Total Recurrent Revenue Collected	2,175,959,623	2,070,187,632	1,989,232,268
Other Revenue Receipts			
Sale of Capital Assets (6)	2,000	66,389	57,254
Grants and Aids (6)	2,205,000	4,780	111,100
Total other Revenue Receipts (6)	2,207,000	71,169	168,354
TOTAL REVENUE RECEIVED	2,178,166,623	2,070,258,801	1,989,400,622
OPERATING EXPENDITURE			
Recurrent Expenditure			
Personal Emoluments	756,153,251	726,035,390	684,442,420
Other Recurrent Charges	930,700,071	1,378,725,628	960,803,905
Other Cost Items			
Financing Cost- Interest Payments (5)	271,735,721	261,171,657	280,679,009
Principal Debt/Sinking Fund Repayment (5)	287,081,279	396,347,268	310,699,072
Total Other Cost	2,245,670,322	2,762,279,943	591,378,081
Grants, Contributions and Subsidies to Government Corporations	75,031,300	103,478,927	138,489,846
Total Recurrent Expenditure (5)	2,320,701,622	2,865,758,870	2,375,114,252
Capital Expenditure			
Capital Development Expenditure	242,114,000	375,853,985	158,904,736
Other Capital Expenditure	-	14,400,251	76,062,831
Capital Grants, Contributions and Subsidies to Government Corporations	-	-	-
Total Capital Expenditure (7)	242,114,000	390,254,236	234,967,567
Total Operating Expenditure	2,562,815,622	3,256,013,106	2,610,081,819
Deficit for the period	(384,648,999)	(1,185,754,305)	(620,681,197)

the accompanying notes are an integral part of these financial statements



Statement of Cash Flow

THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS
STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2017
(CONSOLIDATED FUND)

	Notes	Financial Year Ended 30-Jun-2017 B\$	Financial Year Ended 30-Jun-2016 B\$	Change
CASH FLOWS FROM OPERATING ACTIVITIES				
Recurrent Revenue	(4)	2,070,187,632	1,989,232,268	
Increase/Decrease in Dishonoured Cheques		123,788	(107,772)	
Recurrent Expenditure (less Debt repayment)	(5)	(2,469,411,602)	(2,064,415,179)	
NET CASH FLOWS FROM OPERATING ACTIVITIES		(399,100,182)	(75,290,683)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from capital revenue/grants	(6)	71,169	168,434	
Capital acquisitions	(7)	(390,254,236)	(158,904,736)	
Other capital expenditure	(7)	0	(76,062,831)	
Capital Contributions, Subsidies & Grants	(7)	0	0	
NET CASH FLOWS FROM INVESTING ACTIVITIES		(390,183,067)	(234,799,133)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (Decrease) in Treasury Bills	(8)	332,676,000	20,000,000	
Increase (Decrease) in Bank Advances	(9)	9,461,091	10,000,000	
Increase (Decrease) in Other Advances	(10)	(31,925,410)	(5,631,565)	
Increase (Decrease) in Salary Deductions	(12)	1,790,582	4,882,552	
Increase (Decrease) in Other Deposits	(10)	90,778,184	19,228,953	
Proceeds from Bonds/Stocks	(6)	275,000,000	87,310,000	
Proceeds from US \$ Loan	(6)	0	45,000,000	
Proceeds from EURO Loan	(6)	0	100,000,000	
Proceeds from Loans	(6)	45,847,399	87,834,082	
Proceeds from Loans (Commercial Banks)	(6)	305,000,000	258,183,000	
Principal Redemption Payments on Public Debt/Payments into Fixed Deposits for Sinking Funds	(5)	(396,347,268)	(310,699,072)	
NET CASH FLOWS FROM FINANCING ACTIVITIES		632,280,578	316,107,950	
NET INCREASE (DECREASE) IN CASH		(157,002,671)	6,018,133	
CASH AND CASH EQUIVALENT				
Cash and Cash equivalent at beginning of year		30,005,181	23,987,047	
Cash and Cash equivalent at end of year		(126,997,491)	30,005,180	
Reconciliation of Cash and Cash Equivalent				
Cash and Domestic Bank Accounts	(11)	57,958,334	89,231,246	(31,272,912)
Foreign Banks denominated in B\$	(11)	2,639,707	372,825	2,266,882
Sub-Total	(11)	60,598,041	89,604,071	(29,006,030)
Fixed Deposits @ BoB (maturities less than 3months)	(17)	12,738,831	117,841,782	(105,102,951)
Fixed Deposits @ CBoB (maturities less than 3months)	(17)	94,252,946	83,693,618	10,559,328
Sub-Total		167,589,818	291,139,471	(123,549,653)
Less: Bank Overdrafts	10 & 11)	(294,587,309)	(261,134,291)	(33,453,018)
Net Cash & Cash Equivalent		(126,997,491)	30,005,180	(157,002,671)



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-2017
(CURRENT ACCOUNT)

	Notes	Financial Year Ended 30-Jun-2017 B\$	Financial Year Ended 30-Jun-2016 B\$	Net Change in Fund Balance B\$
Balance as at 1st July, 2016		(1,357,252,346)	(1,022,878,578)	334,373,768
Recurrent Revenue	(4)	2,070,187,632	1,989,232,268	(80,955,364)
Less: Refund of Revenue		-	-	-
Net Recurrent Revenue		<u>2,070,187,632</u>	<u>1,989,232,268</u>	<u>(80,955,364)</u>
Other Revenues & Transfers				
Transfers from Capital Account	(16)	242,113,978	51,508,216	(190,605,762)
Total Revenues		<u>2,312,301,610</u>	<u>2,040,740,484</u>	<u>(271,561,126)</u>
Sub-Total		955,049,265	1,017,861,906	62,812,641
Recurrent Expenditure	(5)	2,865,758,870	2,375,114,252	(490,644,619)
Balance as at 30 June 2017		<u><u>(1,910,709,605)</u></u>	<u><u>(1,357,252,346)</u></u>	<u><u>553,457,260</u></u>



Statement of Consolidated Fund (Capital Account)

**STATEMENT OF CHANGES IN CONSOLIDATED FUND BALANCES FOR YEAR
ENDED 30 JUNE 2017
(CAPITAL ACCOUNT)**

	Notes	Financial Year Ended 30-Jun-2017	Financial Year Ended 30-Jun-2016	Net Change in Fund Balance
		B\$	B\$	B\$
Balance as at 1st July, 2016		455,224,421	163,204,688	(292,019,733)
Financing Sources				
Proceeds from Stocks/Bonds	(6)	275,000,000	87,310,000	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)	45,847,399	87,834,082	(41,986,683)
Proceeds from TNotes	(6)	-	258,183,000	(258,183,000)
Proceeds from Loans from Commercial Banks	(6)	305,000,000		
Proceeds From Grants	(6)	4,780	111,100	(106,320)
Capital Revenue				
Other Capital Income	(6)	66,389	57,334	9,054
Total Financing Sources & Capital Revenue		<u>625,918,568</u>	<u>578,495,516</u>	<u>(157,576,948)</u>
Sub-Total		1,081,142,990	741,700,204	339,442,785
Capital Development Expenditure				
Capital Development Expenditure	(7)	375,853,985	158,904,736	216,949,249
Other Capital Expenditure	(7)	14,400,251	76,062,831	(61,662,580)
Loans, Contributions and Advances to Government Corporations	(7)	-	-	-
Total Capital Expenditure		<u>390,254,236</u>	<u>234,967,567</u>	<u>155,286,669</u>
Other Expenditure and Transfers				
Transfer to Current Account	(16)	242,113,978	51,508,216	190,605,762
Total Capital Development Expenditure and Transfers		<u>632,368,214</u>	<u>286,475,783</u>	<u>345,892,431</u>
Balance as at 30 June 2017		<u><u>448,774,776</u></u>	<u><u>455,224,421</u></u>	<u><u>6,449,646</u></u>



Notes to The Financial Statements

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, and guided by International Public Sector Accounting Standards (IPSAS) cash basis. We are transitioning to modified accrual and then to full accrual. We however do not prepare consolidated statements and hence do not report on quasi-government entities. All quasi-government entities report individually to Parliament.

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, 2016 to June 30, 2017 as required by the FAA Act 2010.

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. A new stream of tax was added in January 2015, value added tax levied at a rate of 7.5%.

Summary of Recurrent Revenue

HEAD	DESCRIPTION	ESTIMATED REVENUE 2016/2017	ACTUAL REVENUE 2016/2017	UNDER/(OVER) THE ESTIMATES
901	IMPORT AND EXPORT DUTIES	347,700,000	293,797,093	53,902,907
902	EXCISE TAX	300,325,000	288,897,825	11,427,175
903	PROPERTY TAX	153,500,000	120,581,963	32,918,037
904	MOTOR VEHICLE TAX	45,775,000	43,663,829	2,111,171
905	GAMING TAX	35,000,000	27,359,607	7,640,393
906	TOURISM TAX	142,600,000	135,769,763	6,830,237
907	STAMP TAX	104,565,950	112,251,989	(7,686,039)
908	COMPANY FEES	24,279,605	21,516,218	2,763,387
909	BANK AND TRUST COMPANY FEES	12,480,563	18,754,610	(6,274,047)
911	VALUE ADDED TAXES	650,516,015	638,173,864	12,342,736
	OTHER TAXES	2,046,415	446,549	1,599,866
	TAX REVENUE SUB-TOTAL	1,818,789,133	1,701,213,309	117,575,824
919	FEES AND SERVICE CHARGES REVENUE FROM GOVERNMENT PROPER	303,653,947	310,298,321	(6,644,374)
920		19,540,738	18,658,034	882,704
921	INTEREST AND DIVIDENDS REIMBURSEMENT AND LOAN REPAYMENT	28,672,750	34,772,764	(6,100,014)
922		100,900	44,898	56,002
923	SERVICE OF A COMMERCIAL NATURE	5,202,155	5,200,306	1,849
	NON-TAX REVENUE SUB-TOTAL	357,170,490	368,974,323	(11,803,833)
	TOTAL REVENUE	2,175,959,623	2,070,187,632	105,771,991

Details regarding the recurrent revenue are contained in Annex 1 pages 2-31.

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 2016/2017	EXPENDITURE 2016/2017	THE ESTIMATE	APPROP. AUTHORIZED
1	THE GOVERNOR GENERAL & STAFF	1,235,500	1,093,343	142,157	0
2	THE SENATE	246,900	231,391	15,509	7,322.00
3	THE HOUSE OF ASSEMBLY	2,087,500	1,964,810	122,690	19,990.00
4	THE DEPARTMENT OF THE AUDITOR-GENERAL	2,533,800	2,133,737	400,063	0
5	DEPARTMENT OF PUBLIC SERVICE	181,564,100	236,433,579	(54,869,479)	70,579,677.00
6	CABINET OFFICE	7,020,600	8,399,724	(1,379,124)	1,413,333.63
7	OFFICE OF THE ATTORNEY-GENERAL AND MINIS	15,323,600	20,224,382	(4,900,782)	8,500,000.00
8	JUDICIAL DEPARTMENT	15,039,300	14,432,644	606,656	35,697.00
9	COURT OF APPEAL	2,232,100	1,755,767	476,333	22,768.00
10	REGISTRAR-GENERAL'S DEPARTMENT	3,194,250	3,200,177	(5,927)	75,357.00
11	PRISON DEPARTMENT	24,757,900	23,214,951	1,542,949	10,643.00
12	PARLIAMENTARY REGISTRATION DEPARTMENT	2,115,050	5,159,132	(3,044,082)	3,152,854.01
13	MINISTRY OF FOREIGN AFFAIRS & IMMIGRATIO	29,788,450	27,996,415	1,792,035	0
14	OFFICE OF THE PRIME MINISTER	17,069,450	89,959,209	(72,889,759)	75,808,810.04
16	BAHAMAS INFORMATION SERVICES	2,181,550	2,054,873	126,677	0
17	GOVERNMENT PRINTING DEPARTMENT	1,592,250	1,647,621	(55,371)	78,544.00
18	DEPARTMENT OF LOCAL GOVERNMENT	22,260,880	21,786,609	474,271	17,556.00
19	DEPARTMENT OF PHYSICAL PLANNING	1,295,500	790,239	505,261	0
20	DEPARTMENT OF LANDS AND SURVEYS	1,729,275	1,417,504	311,771	0
21	MINISTRY OF FINANCE	182,506,513	264,986,397	(82,479,884)	119,111,535.85
22	TREASURY DEPARTMENT	628,217,738	811,838,241	(183,620,503)	192,144,952.25
23	CUSTOMS DEPARTMENT	26,380,160	26,257,982	122,178	145,829.00
24	DEPARTMENT OF STATISTICS	3,100,800	2,799,412	301,388	0
28	Department of Inland Revenue	5,568,600	5,088,432	480,168	39,261.00
29	MINISTRY OF NATIONAL SECURITY	14,781,700	13,884,994	896,706	872,535.51
30	DEPARTMENT OF IMMIGRATION	15,847,500	17,481,507	(1,634,007)	2,167,811.75
31	ROYAL BAHAMAS POLICE FORCE	126,439,000	126,855,736	(416,736)	744,735.70
32	ROYAL BAHAMAS DEFENCE FORCE	53,875,560	53,033,256	842,304	0
33	MINISTRY OF PUBLIC WORKS & URBAN DEVELOP	58,525,710	85,448,473	(26,922,763)	30,496,750.00
34	DEPARTMENT OF PUBLIC WORKS	18,476,000	18,373,777	102,223	0
35	DEPARTMENT OF EDUCATION	191,935,007	200,311,863	(8,376,856)	8,615,550.42
37	DEPARTMENT OF ARCHIVES	926,000	705,634	220,366	0

SUMMARY OF RECURRENT EXPENDITURE (CONT'D)

HEAD	MINISTRY/DEPARTMENT	APPROVED ESTIMATES 2016/2017	ACTUAL EXPENDITURE 2016/2017	UNDER/(OVER) THE ESTIMATE	SUPP. APPROP. AUTHORIZED
38	MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY	87,617,900	88,418,930	(801,030)	5,500,851
40	MINISTRY OF TRANSPORT & AVIATION	13,900,700	13,956,344	(55,644)	350,000
43	MINISTRY OF SOCIAL SERVICES	5,464,400	4,193,024	1,271,376	0
44	DEPARTMENT OF SOCIAL SERVICES	37,151,050	39,309,015	(2,157,965)	4,970,382
45	DEPARTMENT OF HOUSING	2,502,300	2,305,976	196,324	0
47	MINISTRY OF YOUTH, SPORTS & CULTURE	30,724,500	42,770,847	(12,046,347)	14,648,307
48	DEPARTMENT OF LABOUR	2,235,900	2,071,118	164,782	7,418
49	MINISTRY OF FINANCIAL SERVICES	2,597,300	2,405,287	192,013	0
51	POST OFFICE DEPARTMENT	7,366,800	6,880,576	486,224	0
52	Department Of Civil Aviation	16,280,900	15,283,710	997,190	361,506
53	PORT DEPARTMENT	3,901,500	4,600,845	(699,345)	962,013
54	DEPARTMENT OF ROAD TRAFFIC	4,427,000	4,218,521	208,479	312,914
55	Department Of Meteorology	2,150,900	9,252,722	(7,101,822)	7,178,544
56	MINISTRY OF AGRICULTURE, MARINE RESOURCE	20,316,134	21,690,911	(1,374,777)	1,752,175
57	Department Of Agriculture	5,778,337	5,517,648	260,689	19,210
58	DEPARTMENT OF MARINE RESOURCES	2,756,759	2,179,450	577,309	4,843
60	MINISTRY OF HEALTH	263,725,030	333,795,964	(70,070,934)	75,773,074
65	DEPARTMENT ENVIRONMENTAL HEALTH SERVICES	31,304,286	34,045,755	(2,741,469)	3,857,664
67	MINISTRY OF TOURISM	82,630,888	94,422,474	(11,791,586)	15,506,612
70	MINISTRY OF LABOUR & NATIONAL INSURANCE	4,162,185	3,908,680	253,505	0
72	MINISTRY OF THE ENVIRONMENT & HOUSING	18,398,355	28,785,163	(10,386,808)	13,360,000
73	DEPARTMENT OF INFORMATION TECHNOLOGY	2,725,124	2,613,961	111,163	0
74	MINISTRY FOR GRAND BAHAMA	12,735,131	12,170,139	564,992	3,422,068
TOTAL RECURRENT EXPENDITURE.....		2,320,701,622	2,865,758,870	(545,057,248)	662,049,095

Details by head and line item are shown in Appendix 1 pages 35-393

6. Borrowings, Grants and Other Capital Income

During the year under review Borrowings, Grants and Other Capital Revenue in the total amount of \$625,918,568 were obtained from the following sources:

Proceeds from Stocks/Bonds	\$ 275,000,000
Proceeds from Loans Commercial Banks)	\$ 305,000,000
Proceeds from Other Loans	<u>\$ 45,847,399</u>
Total Proceeds from Borrowings	\$ 625,847,399
Proceeds from Grants	\$ 4,780
Proceeds from Sale of Gov't Assets	<u>\$ 66,389</u>
Total Borrowings, Grants & Other Capital Income	<u>\$ 625,918,568</u>

Details are shown in Annex 1 pages 395- 397.

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	ACTUAL	UNDER/(OVER)	SUPP.
		ESTIMATES	EXPENDITURE	THE ESTIMATE	APPROP.
		2016/2017	2016/2017		AUTHORIZED
21	SUNDRY CAPITAL EXPENDITURE	67,000,000	133,098,360	(66,098,360)	103,071,682
32	ROYAL BAHAMAS DEFENCE FORCE	30,000,000	59,605,737	(29,605,737)	32,564,900
33	MINISTRY OF WORKS & URBAN DEVELOPMENT	124,614,000	156,489,435	(31,875,435)	42015145
38	MINISTRY OF EDUCATION, SCIENCE & TECHNOL	20,500,000	41,060,704	(20,560,704)	21,003,888
TOTAL CAPITAL EXPENDITURE		242,114,000	390,254,236	(148,140,236)	198,655,615

Details by head and line item are shown in Annex 1 pages 399-412.

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 2017, TBills outstanding was \$661,957,900.

Treasury Bills Account for year ended 30th June 2017

Outstanding TBills as at 1st July 2016		\$599,281,900
Amount Redeemed	(\$2,629,162,800)	
Amount exchanged for BGRS	(\$270,000,000)	
Amount Issued	\$2,961,838,800	
		\$62,676,000
Outstanding TBills as at 30th June 2017		\$661,957,900

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 2017, 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 \$200million. 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.

Additionally the Government of the Bahamas obtained an advance of \$14,000,000 from First Caribbean Bank to meet recurrent account shortfall and \$5,461,091 from the Royal Bank of Canada for the University of the Bahamas for capital works under the above cited authority.

11. Cash and Bank Balances- (Consolidated Fund)

	Financial Year Ended 30-Jun-2017	Financial Year Ended 30-Jun-2016
Bank of the Bahamas	30,221,979	185,213,181
Central Bank of the Bahamas	128,365,562	98,718,587
Bank Imprest Ministries & Departments	1,181,500	1,181,500
Foreign Banks	2,639,707	372,825
Family Island Bank Accounts	5,181,070	5,653,379
Royal Bank	-	-
Sub-Total	<u>167,589,818</u>	<u>291,139,471</u>
Royal Bank	(230,294,589)	(261,134,291)
Bank of the Bahamas	(31,531,259)	-
Central Bank of the Bahamas	(16,519,176)	-
Tourism US\$ Account	(16,242,285)	-
Sub-Total	<u>(294,587,309)</u>	<u>(261,134,291)</u>
Total Cash and Bank Balances	<u><u>(126,997,491)</u></u>	<u><u>30,005,180</u></u>

12. Salary Deductions

This amount 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 2017.

13. Other Short term Advances and Depository Liabilities

a) The amount of \$60,782,207 advanced is as delineated below:

	As at 30-Jun- 2017	As at 30-Jun-2016
	\$	\$
Family Islands	4,730,452	3,575,140
Ministries, Departments & Quasi-Government Entities	55,640,037	10,696,479
Deposits Fund	(624,218)	13,544,945
Miscellaneous	<u>1,035,936</u>	<u>1,040,233</u>
Total Advances	<u><u>60,782,207</u></u>	<u><u>28,856,797</u></u>

After the passage of Hurricane Matthew (October 6th 2016), which had devastating effects on three Islands namely New Providence (the capital), Grand Bahama and North Andros, the Cabinet of the Bahamas made a policy decision to grant all Public Officers who incurred damages in the Central Government as well as those in the Quasi-Government Entities, soft loans up to a maximum of \$20,000.

These loans were to be administered by the Bank of the Bahamas (BOB) and they were to attract interest at 3% to be used to offset the administrative costs incurred by BOB.

As at June 30th 2017, the amount outstanding on these loans was \$45,208,686. This amount is reflected in the amount shown for Ministries, Departments and Quasi Government Entities in table above.

b) The other short term depository liabilities of \$301,897,068 is as delineated below:

	As at 30-Jun-2017	As at 30-Jun-2016
	\$	\$
Contingency Deposits	141,703,935	44,017,910
Sinking Fund Deposits	103,575,699	91,621,605
Unclaimed Cheques	65,126,735	60,381,322
Miscellaneous	-9,349,388	14,257,961
Ministries & Departments	<u>840,087</u>	<u>840,087</u>
	<u><u>301,897,068</u></u>	<u><u>211,118,885</u></u>

Contingency Deposits represent amounts approved via contingency/supplementary budgets but were not expended in current fiscal year. Such approved amounts can be carried over to subsequent fiscal year once authorized by the Minister of Finance in accordance with section 9 of the Financial Administration and Audit Act.

**THE GOVERNMENT OF THE COMMONWEALTH OF BAHAMAS.
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2017**

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 \$5,755,359,177 is not recorded in the primary financial statements. However in keeping with the FAA Act 2010 section 32 3) (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 \$6,681,681,704 including the Bahamas Government overdraft of \$115,707,575 as at June 30, 2017 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 30/06/16	AMOUNT OUTSTANDING AS AT 30/06/16	AMOUNT OUTSTANDING AS AT 30/06/17	NET INCREASE/ (DECREASE)
1 Bahamas Government Registered Stock	3,930,272,700	3,930,272,700	138,000,000	574,800,000	2,820,472,700	3,177,472,700	357,000,000
2 Bahamas Government Stock	302,310,000	277,310,000	0	0	277,310,000	277,310,000	0
3 Bahamas Government Treasury Notes	261,708,094	261,708,094	0	53,039,912	201,009,088	208,668,182	0
4 Loans Syndicated and payable - Bah \$	463,245,714	463,245,714	60,699,611	90,071,017	162,713,606	312,475,086	149,761,480
5 Loans & Bonds Syndicated and payable in US \$ & Other Currencies	2,157,561,413	1,932,281,978	38,067,252	114,781,516	1,626,425,641	1,779,433,209	153,007,568
Sub-Total	7,115,097,921	6,864,818,486	236,766,863	832,692,445	5,087,931,035	5,755,359,177	667,428,142
6 Short term Debt Securities	1,155,938,952	1,171,646,526	245,324,000	0	879,305,361	926,322,526	47,017,166
7 Sinking Funds			6,532,007	65,076,860			
Total	8,271,036,873	8,036,465,012	488,622,870	897,769,305	5,967,236,396	6,681,681,704	714,445,308

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 \$820,695,170 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 30/06/2017	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017
1) BAHAMAS DVLPMT. BK.	50,690,000	50,690,000	4,600,044	50,000,000	46,089,956
2) BAHAMAS ELECTRICITY CORP.	246,000,000	246,000,000	30,750,000	236,775,000	215,250,000
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
6) THE PUBLIC HOSPITALS AUTHORITY	135,000,000	108,000,000	11,294,898	102,814,079	96,705,102
7) THE MORT. CORPORATION	165,000,000	165,000,000	0	165,000,000	165,000,000
8) WATER & SEWERAGE CORP.	95,000,000	82,582,274	8,709,162	63,986,029	73,873,112
9) PRIVATE SECTOR GUARANTEED DEBT	12,095,693	12,095,693	2,318,693	9,921,774	9,777,000
10) BAHAMAS RESOLVE LTD	100,000,000	100,000,000	0	100,000,000	100,000,000
TOTAL	917,785,693	878,367,968	57,672,798	842,496,882	820,695,170

16. Inter-Account Transfers

During the year in review \$275,000,000 was raised via Bahamas Government Registered Stock, \$305,000,000, proceeds from Loans from the Commercial Banks, and drawdowns of \$45,847,399 on existing loans from which \$242,113,978 was transferred from the Consolidated Fund Capital Account to the Consolidated Fund Current Account to cover the budget deficit.

17. Fixed Deposits

At 30 June 2017 the balances on the Fixed Deposits were as follows:

BANK OF THE BAHAMAS

Fixed Deposits (Consolidated Fund)	<u>3,416,480</u>	
Total Fixed Deposits at Bank of Bahamas		<u><u>3,416,480</u></u>

18. Sinking Fund

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.

<u>CENTRAL BANK</u>	\$	\$
US\$ 200 million Bond (2003-2033)	17,448,710	
US\$ 100 million Bond (2008-2038)	1,890,538	
Central Bank (Collateral Call)	<u>74,914,100</u>	
Balance at 30 June 2017		94,253,348
B\$ 24 million Bond- Re: Clifton Heritage	<u>9,322,351</u>	
Balance at 30 June 2017		9,322,351
Total Fixed Deposits (Sinking Fund)		<u><u>103,575,699</u></u>

19. 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.

20. Fixed Assets

The Financial Administration and Audit Act 2010 require a statement of fixed assets of the Government acquired during the financial year.

	\$
Land	6,670,079
Infrastructure	110,391,435
Buildings & Improvement	148,157,442
Transportation	55,502,350
Machinery & equipment	3,260,916
Furniture & fixtures	48,204,286
Computerization	<u>3,667,476</u>
TOTAL	<u>375,853,985</u>

21. 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

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
d) Aliv	50

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
g) Bahamas Resolve Limited	100
h) Post Office Savings Bank	100

22. 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 2017, the fund balance of the Deposits Fund is \$86,712,364.

Details are shown in the supplementary disclosure.

23. Cash and Bank Balances- Deposits Fund

As at June 30, 2017, the Cash & Bank Balances were \$85,628,111 as delineated below:

	Financial Year Ended 30-Jun-2017	Financial Year Ended 30-Jun-2016
<u>Deposits Fund</u>		
Bank of the Bahamas	8,427,978	8,250,246
Central Bank of the Bahamas	0	0
Royal Bank	66,031,072	69,998,617
Family Island Bank Accounts	11,169,061	10,559,672
Total Cash and Bank Balances Deposits Fund	85,628,111	88,808,535

24. Sinking Fund/Debenture

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 2017 the balance on the Fixed Deposit was \$225,223.

25. 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 2017, the interest earned and not used is \$90,819.

26. 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, 2016 and June 30, 2017 are \$1,192,570 and \$1,060,654. respectively.

Statement of Public Officers' Loan Fund is shown in the supplementary disclosures.

27. 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 2017, the total of monies held on behalf of the Post Office Savings Bank was \$ 8,619,250 and is invested as shown below.

	Financial Year Ended 30-Jun-2017	Financial Year Ended 30-Jun-2016
<u>Post Office Savings Bank (POSB)</u>		
Royal Bank	705,621	541,308
Bank of the Bahamas	4,723,630	4,640,103
Bahamas Government Registered Stock	3,190,000	3,190,000
Total Cash and Bank Balances POSB	8,619,250	8,371,411

28. 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 2017, the balance of the fund was \$2,348,077.



Statement Of The Public Debt

**GOVERNMENT OF THE BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017**

LOAN DESCRIPTION	DATE OF ISSUE	DATE OF MATURITY	AMOUNT OF LOAN AUTHORIZED BY GOVT.	AMOUNT DRAWN IN RESPECT OF LOAN	AMOUNT REDEEMED IN CURRENT YEAR	AMOUNT REDEEMED AS AT 30/06/16	AMOUNT OUTSTANDING AS AT 30/06/16	AMOUNT OUTSTANDING AS AT 30/06/17	NET INCREASE/ (DECREASE)
1 Bahamas Government Registered Stock			3,930,272,700	3,930,272,700	138,000,000	574,800,000	2,820,472,700	3,177,472,700	357,000,000
2 Bahamas Government Stock			302,310,000	277,310,000	0	0	277,310,000	277,310,000	0
3 Bahamas Government Treasury Notes			261,708,094	261,708,094	0	53,039,912	201,009,088	208,668,182	7,659,094
4 Loans Syndicated and payable - Bahamian Dollars			463,245,714	463,245,714	60,699,611	90,071,017	162,713,606	312,475,086	149,761,480
5 Loans & Bonds Syndicated and payable in US Dollars & Other Currencies			2,157,561,413	1,932,281,978	38,067,252	114,781,516	1,626,425,641	1,779,433,209	153,007,568
Sub-Total			7,115,097,921	6,864,818,486	236,766,863	832,692,445	5,087,931,035	5,755,359,177	667,428,142
6 Short term Debt Securities			1,155,938,952	1,171,646,526	245,324,000	0	879,305,361	926,322,526	47,017,166
7 Sinking Funds					6,532,007	65,076,860			
Total			8,271,036,873	8,036,465,012	488,622,870	897,769,305	5,967,236,396	6,681,681,704	714,445,308

GOVERNMENT OF THE BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
1 \$25.0m Treasury Stock (8/10/87) (73/4% & 83/4%)									
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, 13/16)	1996	2004/2016	45,000,000	45,000,000	10,000,000	45,000,000	10,000,000	0	Resolution of the House of Assembly dated June 13, 1996
1 1/4 % above prime) (23/9/96) Maturing 2004, 2016,									
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	0	30,000,000	0	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 BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	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 15, 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 15, 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

GOVERNMENT OF THE BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	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	40,000,000	10,000,000	0	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	20,000,000	30,000,000	20,000,000	Resolution of the House of Assembly dated June 15, 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	15,000,000	35,000,000	20,000,000	Resolution of the House of Assembly dated June 15, 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 15, 1997

GOVERNMENT OF THE BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
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									Resolution of the House of Assembly
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)									Resolution of the House of Assembly dated June 15, 1998
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									Resolution of the House of Assembly dated June 15, 1998
2013, 2016	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									Resolution of the House of Assembly dated June 15, 1999
2013, 2016	1999	2011/2019	50,000,000	50,000,000	10,000,000	20,000,000	30,000,000	20,000,000	Resolution of the House of Assembly dated June 15, 1999

GOVERNMENT OF THE BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
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	8,000,000		28,000,000	20,000,000	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

GOVERNMENT OF THE BAHAMAS
PUBLIC DEBT STATEMENT
FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
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, 13/32 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, 11/3 13/32 APR) Maturing 2015, 2020, 2021 & 2022	2002	2015/2022	65,000,000	65,000,000	0	15,000,000	50,000,000	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, 13/32 APR) 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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	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	60,000,000	60,000,000	0	0	60,000,000	60,000,000	Resolution of the House of Assembly dated June 20, 2003
27 \$23,289.8M 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 \$100M Treasury Stock (29/07/04)(1/32, 1/3, 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	90,000,000	80,000,000	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	15,000,000	10,000,000	90,000,000	75,000,000	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)									
(7/32, 1/4, 9/32, 5/16)	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
Maturing 2022-2025									
31 \$40.4666M Treasury Stock (28/06/05)									
(28/06/05) (1/8, 1/4, 9/32)	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
Maturing 2020, 2024 & 2025									
32 \$75.0M Treasury Stock									
(07/09/05)(5/32, 3/16, 7/32, 1/4, 9/32)	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
Maturing 2021-2025									
33 \$75.0M Treasury Stock (18/01/06)(5/32, 1/4, 9/32, 5/16)									
(9/32, 5/16)	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
Maturing 2021, 2024, 2025 & 2026									
34 \$25.894M Treasury Stock (30/06/05) (3/8)									
	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
Maturing 2025									

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BAHAMAS GOVT REGISTERED STOCK									
35 \$51,645M Treasury Stock (04/05/06)(1/4, 9/32, 5/16)									Resolution of the House of Assembly dated June 20, 2005
Maturing 2024-2026	2006	2024/2026	51,645,000	51,645,000	0	0	51,645,000	51,645,000	
36 \$100M Treasury Stock (22/09/06) 5/32%, 3/16%, 7/32%, 1/4%, 9/32%	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
Maturing 2021, 2022, 2023, 2024, 2025 & 2026									
37 \$50M Treasury Stock (28/03/07)(9/32, 5/16)	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
Maturing 2026 & 2027									
38 \$45,284M Treasury Stock (09/05/07)(5/16)	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
Maturing 2027									
39 \$100M Treasury Stock (26/07/07) 5/16%, 9/1	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
Maturing 2027, 2035 & 2037									

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BAHAMAS GOVT REGISTERED STOCK									
40 \$35M Treasury Stock (08/10/07) 5/16%, 11/3/16%	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
Maturing 2027, 2028 & 2029									
41 \$31,500,900 Treasury Stock (28/11/07) 1/32%, 3/32%, 5/16%, 13/32%	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
Maturing 2018, 2020, 2027 & 2030									
42 \$100M Treasury Stock (22/09/08) 9/32%, 5/16%, 3/8%, 13/32%, 7/16%	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
Maturing 2028, 2029, 2030, 2031, 2032 & 2033									
43 \$107,226,000 Treasury Stock (06/01/09) 1/4%, 5/16%, 11/32%	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
Maturing 2028, 2029, 2030, 2031, 2032 & 2033									

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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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
BAHAMAS GOVT REGISTERED STOCK									
44 \$150M Treasury Stock (27/08/09) 1/8%, 9/64%, 5/32%, 11/64%, 3/16%, 13/64%, 7/16%	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 \$59,724,300 Treasury Stock (26/04/10) 1/12%, 3/32%, 5/48%	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
Maturing 2028, 2029 & 2030									
46 \$100M Treasury Stock (26/07/10) 1/2%, 11/96%, 3/32%, 7/48%, 17/96%	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
Maturing 2028, 2029, 2031, 2034 & 2037									
47 \$100M Treasury Stock (19/10/10) 5.5%, 1/48%, 1/24%, 5/32%	2010	2015/2030	100,000,000	100,000,000	0	30,000,000	70,000,000	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)	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
11/96%, 1/8%, 13/96%, 7/8%									
Maturing 2026,2027,2028 & 2029									
49 \$100M Treasury Stock (15/08/11)	2011	2016/2032	100,000,000	100,000,000	5,000,000	0	100,000,000	95,000,000	Resolution of the House of Assembly dated June 9, 2011
Maturing 2016, 2018, 2020, 2026, 2028, 2032									
50 \$60M Treasury Stock (10/11/11)	2011	2016/2028	60,000,000	60,000,000	10,000,000	0	60,000,000	50,000,000	Resolution of the House of Assembly dated June 9, 2011
1/64%, 1/32%, 5/64%, 3/32%									
Maturing 2016,2018,2020,2026,2028									
51 \$10,635,900 Treasury Stock (26/06/12)	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
1/64%, 3/128%, 1/32%									
Maturing 2017,2018,2020,2021,2022,2027,2029, & 2031									

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BAHAMAS GOVT REGISTERED STOCK									
52. \$200M Treasury Stock (16/07/12) 4%, 4 1/40 4 1/10%, 4 1/8%, 4 1/4%, 4 3/10% 4 13/40% & 4 7/20%, Maturing 2017, 2018, 2020, 2021, 2022, 2027, 2029, & 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	15,000,000	0	100,000,000	85,000,000	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%	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	20,000,000	0	20,000,000	0	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	10,000,000	10,000,000	Resolution of the House of Assembly 2015
62 \$30M Treasury Stock (18/07/16) Maturing 2024	2016	2024	30,000,000	30,000,000	0	0	0	30,000,000	Resolution of the House of Assembly 2016
63 \$30M Treasury Stock (04/08/16) Maturing 2036	2016	2036	30,000,000	30,000,000	0	0	0	30,000,000	Resolution of the House of Assembly 2016
64 \$30M Treasury Stock (26/08/16) Maturing 2036 # 2	2016	2036	30,000,000	30,000,000	0	0	0	30,000,000	Resolution of the House of Assembly 2016
65 \$40M Treasury Stock (25/07/16) Maturing 2025, 2026	2016	2025/2026	40,000,000	40,000,000	0	0	0	40,000,000	Resolution of the House of Assembly 2016

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66 S25M Treasury Stock (23/09/16) Maturing 2036 # 3	2016	2036	25,000,000	25,000,000	0	0	0	25,000,000	Resolution of the House of Assembly 2016
67 S100M Treasury Stock (03/10/16) & (13/10/16) Maturing 2036	2016	2036	100,000,000	100,000,000	0	0	0	100,000,000	Resolution of the House of Assembly 2016
68 S20M Treasury Stock (13/04/16) Maturing 2019	2016	2019	20,000,000	20,000,000	0	0	20,000,000	0	Resolution of the House of Assembly 2016
69 S5.0M Treasury Stock (13/04/16) Maturing 2021	2016	2021	5,000,000	5,000,000	0	0	5,000,000	0	Resolution of the House of Assembly 2016
70 S25M Treasury Stock (13/04/16) Maturing 2036 # 5	2016	2036	25,000,000	25,000,000	0	0	25,000,000	0	Resolution of the House of Assembly 2016
71 S120M Treasury Stock (19/10/16) Maturing 2017	2016	2017	120,000,000	120,000,000	0	0	0	120,000,000	Resolution of the House of Assembly 2016
72 S20M Treasury Stock (19/12/16) Maturing 2021	2016	2021	20,000,000	20,000,000	0	0	0	20,000,000	Resolution of the House of Assembly 2016
73 S75M Treasury Stock (29/03/17) Maturing 2018	2017	2018	75,000,000	75,000,000	0	0	0	75,000,000	Resolution of the House of Assembly 2017
74 S75M Treasury Stock (27/04/17) Maturing 2018	2017	2018	75,000,000	75,000,000	0	0	0	75,000,000	Resolution of the House of Assembly 2017
TOTAL			3,930,272,700	3,930,272,700	138,000,000	574,800,000	2,820,472,700	3,177,472,700	

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BAHAMAS GOVERNMENT STOCK									
<u>\$200M Bahamas Government Stock</u>									
Resolution of the House of Assembly June 2014									
Tranche 1: S75M Maturing 2017,2019,2021,2044	2015	2017-2044	75,000,000	75,000,000	0	75,000,000	75,000,000		
Tranche 2: S70M Maturing 2018,2020,2022,2045	2015	2018-2045	75,000,000	70,000,000	0	70,000,000	70,000,000		
Tranche 3: S55M Maturing 2018,2020,2022,2045	2015	2018-2045	75,000,000	55,000,000	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	77,310,000	77,310,000		
TOTAL			302,310,000	277,310,000	0	277,310,000	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	53,039,912	46,960,088	46,960,088	
Tranche 2: \$71.3M	2015	On Demand	71,300,000	71,300,000	0	0	71,300,000	71,300,000	
Tranche 3: \$21,535M	2015	On Demand	21,535,000	21,535,000	0	0	18,621,000	21,535,000	
Tranche 4: \$27.31M	2015	On Demand	27,310,000	27,310,000	0	0	27,290,000	27,310,000	
Tranche 5: \$26,177M	2015	On Demand	26,177,000	26,177,000	0	0	24,977,000	26,177,000	
Tranche 6: \$15,386M	2015	On Demand	15,386,094	15,386,094	0	0	11,861,000	15,386,094	
TOTAL			261,708,094	261,708,094	0	53,039,912	201,009,088	208,668,182	

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SHORT TERM FACILITIES									
Bahamas Government Treasury Bills		On Demand	907,281,900	907,281,900	245,324,000	0	599,281,900	661,957,900	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	115,707,575	0	0	145,366,409	115,707,575	Section 17 of FAA ACT 2012
FCIB \$14M Revolving Facility		On Demand	14,000,000	14,000,000	0	0	0	14,000,000	
Total			1,155,938,952	1,171,646,526	245,324,000	0	879,305,361	926,322,526	

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LOANS SYNDICATED & PAYABLE IN BAHAMIAN DOLLARS									
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	60,000,000	90,000,000	60,000,000		Resolution of the House of Assembly June 2014
Royal Bank of Canada COB Capital Works Loan	2015	2027	8,000,000	8,000,000	699,511	71,017	2,467,892	7,229,372	Credit Facility
Royal Bank of Canada Working Capital Loan	2016	2018	75,000,000	75,000,000	0	0	0	75,000,000	Credit Facility
\$130M Club Loan for Hurricane Recovery	2016	2021	130,000,000	130,000,000	0	0	0	130,000,000	Loan Agreement
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
TOTAL			463,245,714	463,245,714	60,699,611	90,071,017	162,713,606	312,475,086	

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LOANS SYNDICATED IN U.S. DOLLARS AND OTHER CURRENCIES									
US\$21.0m 848/OC-8H IDB loan	1995	2020	21,600,061	21,600,062	1,296,002	16,416,054	5,184,007	3,888,006	Loan Agreement.
Inter-American Development Bank 1266/OC-8H Infrastructure Rehabilitation (Hurricane Floyd) (Mar 21, 2001)	2001	2021	21,000,000.00	20,222,558	1,263,910	13,903,009	6,319,550	5,055,639	Loan Contract dated 21/03/01
Inter-American Development Bank 1320/OC-8H (New Providence Transport Program) (22/10/01)	2001	2021	46,200,000.00	43,389,981	3,250,878	25,520,151	17,879,830	14,628,952	Loan Contract dated 22/10/01
Inter-American Development Bank 1617/OC-8H Immediate Response Facility	2005	2025	16,700,000	3,580,522	238,702	1,432,209	2,148,313	1,909,612	Loan Contract dated April 28th, 2005
Inter-American Development Bank 1695/OC-8H Education & Training Loan	2006	2026	18,000,000	12,798,379	885,819	3,497,279	9,301,102	8,415,281	Loan Agreement

GOVERNMENT 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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
E. C. Rural Energy Project (10m Disbursed in Euro)	1991	2030	1,442,766	881,972	27,274	456,992	414,150	397,706	Loan agreement dated November 11, 1990.
Food Technology Complex	1982	2021	459,644	459,644	17,340	358,260	99,039	84,044	Loan Agreement dated July 22nd, 1982.
IDB 1170/OC-BH Solid Waste Management Loan	2001	2019	23,500,000	21,797,402	1,500,614	16,545,255	5,252,146	3,751,533	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	18,950,764	81,049,237	76,281,635	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 route 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
Deutsche Bank 45M Loan			45,000,000	45,000,000	0	0	0	45,000,000	Loan Agreement
Int'l Private Capital / Mkt Dvlpmt Bond Issue	2014	2024	300,000,000	300,000,000	0	0	300,000,000	300,000,000	Credit Agreement

GOVERNMENT 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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
The EXIM Bank of China-Container Scanners loan	2006	2022	5,187,302	4,937,128	313,911	1,523,602	3,474,621	3,099,615	Loan Agreement dated September 27th, 2006
*\$34,000,000 RMB Yuan Disbursed in USD)									
\$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
CHF 100M Credit Agreement-Credit Suisse			100,120,144	100,120,144	0	0	0	100,120,144	
Family Island Project (CDB loan no: 09/OR-BHA)	2010	2015/2018	10,109,000	6,995,917	557,459	263,409	6,058,409	6,175,049	Loan Agreement dated Oct. 11th, 2010
Chinese Concessional Loan (Airport Road)	2010	2030	59,438,553	54,627,214	3,560,552	1,846,033	53,742,442	49,220,629	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 BAHAMAS
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FOR YEAR ENDED JUNE 30, 2017

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IDB 2682/2683/OC-BH Air Trsprt. Reform Program (16/12/2011)	2011	2031	50,000,000	17,492,778	583,092		17,492,778	16,909,686	Loan Contract Dtd Dec 16, 2011
Chinese Concessional Ln. (North Abaco Pt/Br.) *(260,000,000 RMB Yuan Disbursed in USD)	2012	2032	38,002,443	38,002,443	0	0	15,875,883	38,002,443	House of Assembly Resolution dtd Jan. 26, 2012
IDB 2756 OC-BH Trade Sector Support (18/07/2012)	2012	2037	16,500,000	11,140,000	0	0	5,490,000	11,140,000	House of Assembly Resolution Dtd. Aug. 2nd, 2012
IDB 2758 OC-BH Social Safety Net Reform (30/08/2012)	2012	2037	7,500,000	3,929,277	0	0	2,012,458	3,929,277	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 BAHAMAS
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FOR YEAR ENDED JUNE 30, 2017

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 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2016	AMOUNT OUTSTANDING AS AT 30/06/2017	REMARKS
IDB 2773 OC-BH New Providence S.F. II (04/09/2012)	2012	2037	65,000,000	64,944,525	2,829,904	3,879,788	55,610,296	58,234,833	Loan Contract dtd. Aug. 30, 2012
IDB 3340/OC-BH Public Financial Management & Performance Monitoring Reform	2016		33,000,000	0	0	0	0	0	Loan Contract
IDB 3499/OC-BH Citizen Security & Justice Programme	2016		20,000,000	2,373,656	0	0	0	2,373,656	Loan Contract
CDB MDM Immediate Response- Hurricane Sandy	2014	2023	750,000	659,780	82,473	61,854	597,926	515,453	Loan Agreement
College of The Bahamas Transformation Project (CDB Loan no: 10/OR-BHA)	2014	2031	16,180,000	183,861	500	183,361	500	0	Loan Agreement
CDB 11/OR-BHA Water Supply Improvement Project	2016		28,329,000	2,891,958	0	0	0	2,891,958	Loan Agreement
Defence Force Vessels Loan	2014		232,000,000	172,700,277	16,891,221	9,943,498	156,880,454	145,865,558	Resolution dated 19th March 2014
TOTAL			2,157,561,413	1,932,281,978	38,067,252	114,781,516	1,626,425,641	1,779,433,209	



ACKNOWLEDGEMENT & APPRECIATION

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Special thanks are extended to staff members of the OAG

for their dedication to duty and loyalty during the 2016/2017 fiscal 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.

We realize that for every organization to function at peak performance and be efficient in order to result in the very highest quality, there must be responsible leadership at every level within the organization.

We are cognizant of the fact that every day thousands of Public Servants go to work to conduct the business of the Commonwealth of the Bahamas. Sometimes they perform acts of great heroism and go above and beyond the call of duty, but most often, they simply do their jobs to the best of their ability. We note that there are thousands of Public Servants who are creative, hardworking and focused on delivering the many services that make it possible for our complex government to function and we appreciate the time and effort dedicated to assisting the Auditor General and staff in carrying out the mandate of the OAG.

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