



The Ministry of Finance
Review of Pre-Election Report & Accounts Payable
Executive Summary

March 8, 2022



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Our Engagement

Our Engagement

Deloitte & Touche (“Deloitte” or “We”) was engaged to provide support to the Ministry of Finance (“MoF”) relative to compiling the outstanding Accounts Payable as at September 16, 2021, and a review of the 2021 Pre-Election Economic and Fiscal Update (“Pre-Election Report”) dated August 27, 2021.

Scope of Work

Specifically, we were engaged to work with the Ministry of Finance to assist in preparing the outstanding Accounts Payable as at September 16, 2021, (extended to October 14, 2021) and assess the 2021 Pre-Election Report) dated August 27, 2021, for compliance with the Fiscal Responsibility Act, 2018. The specific steps were as follows:

- Ensure that the methodology used to derive this “current position” is compliant with the Fiscal Responsibility Act, 2018.
- Assess the Pre-Election Report to confirm that it was produced in accordance with Section 11 of the Fiscal Responsibility Act, 2018 and the Third Schedule.
- Review supporting documents for Accounts Payable referenced in the Pre-Election Report.
- Prepare the outstanding Accounts Payable provided for the various government agencies.
- Identify any significant differences in the August 27, 2021, Pre-Election Report and Accounts Payable as at October 14, 2021.
- Document and report our findings.

The scope of our work in preparing this report was limited to the procedures set out above. The procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and we do not express any opinion or overall conclusion on the procedures we have performed.

Our analysis and observations are based upon information provided by the MoF as at October 14, 2021. It is possible that additional information may have become available subsequent to this date and if so, the basis of our analysis may be impacted by such information.

For this engagement it was the sole responsibility of the Ministry of Finance to ensure the accuracy and completeness of the information provided and our findings are subject thereto.

Executive Summary

Executive Summary

- The 2021 Pre-Election Economic and Fiscal Update (“Pre-Election Report”) was generally compliant with the Fiscal Responsibility Act, 2018 (“FRA”) except for the following areas:
 - Partially Compliant – Revenue and Expenditure Forecasts (*FRA Third Schedule Section (b)(i) and (b)(ii)*)
 - Non-Compliant – New spending and outstanding stock of arrears (*FRA Third Schedule Section (b)(iii) and (b)(viii)*)

These areas of deficiency are pivotal to compiling an accurate accounts payable position.

- The Third Schedule of the Fiscal Responsibility Act 2018 outlines the content for a pre-election update report. Section (b)(viii) calls for *“the outstanding stock of arrears for all government entities including showing separately all new unpaid invoices since the stock of arrears was reported.”* The same is applicable for the mid-year reviews.
- There are fundamental differences in the interpretation of this section of the FRA between the former senior leadership responsible for the production of the Pre-Election Report and those responsible for producing current reports.
 - For the Pre-Election Report, former senior leadership believes that it should include the stock of arrears and any unpaid invoices that have become arrears for Central Government only. Former senior leadership expressed that this report should not include total payables, nor should it include any amounts for State Owned Enterprises (SOEs). Even though information was requested from the SOEs, these amounts were excluded.
 - The stock of arrears reported in the Pre-Election Report which was dated August 27, 2021, totaled \$ 108,805,943.26. This was comprised of the following amounts:
 - Recurrent expenditure \$ 104,056,228.87
 - Capital expenditure \$ 4,749,714.39

(See Appendix I)

Executive Summary (Cont'd)

- The request for information to strike the current payables position, sent by those now responsible, asked for “*All obligations/commitments (i.e. Recurrent, Capital and State-Owned Enterprises (SOEs)), which are not included in the 2021/22 Approved Budget Estimates*”. This differed from the request for total arrears only, used in the preparation of the Pre-Election Report. This is a broader view. Based on the information provided by the MoF with subsequent adjustments, the unbudgeted obligations as of October 14, 2021, totaled \$821,520,320.61, which is comprised of the following amounts:

- Recurrent expenditure \$ 315,386,852.19
- Capital expenditure \$ 130,442,415.16
- State-owned enterprises \$ 120,370,386.60
- Debt servicing \$ 255,320,666.66

(See Appendix II)

Current senior leadership also believes that the Bahamas Resolve bond, of approximately \$167,700,000 which becomes due in August 2022 has crystalized as a current liability and should be reported.

- It is our view, that pre-election and other periodic reports and updates, to be meaningful, should provide a reasonable assessment of the obligations of the government. The stock of arrears should be reported, as stated in the FRA “*for all government entities*” which for us would include the SOEs. It is also our view, that any significant unbudgeted obligations should be brought to the government’s attention in a timely manner.

Executive Summary (Cont'd)

Other Key Issues

- The two mid-year reviews produced since the enactment of this legislation and prior to the Pre-Election Report were not in compliance with the FRA as the outstanding stock of arrears was not included. MoF senior officials responsible for producing the mid-year reports admitted to this being an oversight.
- The Financial Reporting Act 2018 lacks clarity and requires the expansion on the definition of terms. This deficiency is impacting the effectiveness of the reporting process. We believe that legislative amendments, along with the compilation of a comprehensive guidance document would be beneficial to the MoF staff responsible for producing the fiscal reports.
- For the FRA to become fully potent and enable the MoF to sufficiently and accurately determine the country's full risk profile, It should be amended to include all outstanding liabilities inclusive of the stock of arrears. The arrears information will remain a valuable benchmark of the fiscal state of affairs and can be retained as a specific measure but as the legislation stands the country's risk profile as currently represented would always be understated using only the stock of arrears.
- It is unclear whether the information provided by the various ministries, departments, and agencies ("MDAs"), are reviewed thoroughly. This question arises due to discrepancies identified in the information provided despite the MoF's assertions that information provided by the MDAs should be deemed true and correct.
- The government has expressed its intention to move from cash basis accounting or modified cash basis to the formal adoption of International Public Sector Accounting Standards ("IPSAS"). This has been the intent of multiple administrations without any significant progress. The challenges noted in this report are a direct consequence of maintaining the current approach to accounting.

All persons interviewed, including those responsible for producing the Pre-Election Report and those responsible for current fiscal reports, agree that the Government should give serious consideration to how it can efficiently achieve its goal of implementing an accrual system and adopting IPSAS.

Appendices

Appendix I

Stock of Arrears - Pre-Election Report as at August 27, 2021

Head	Ministry / Department / Agency	Recurrent Expenditure	Capital Expenditure	Pre-Election Report Total
005	Ministry of Public Service & National Insurance	59,111,049.53		59,111,049.53
007	Office of The Attorney General	175,223.07	3,325.06	178,548.13
011	Bahamas Department of Correctional Services	480,864.36		480,864.36
022	Treasury Department	34,155,849.00		34,155,849.00
029	Ministry of National Security	525,121.80	1,462,143.63	1,987,265.43
031	Royal Bahamas Police Force	270,494.10		270,494.10
033	Ministry of Public Works			
035	Department of Education	180,427.78		180,427.78
037	Department of Archives	935.01		935.01
038	Ministry of Education	1,016,700.18	873,028.88	1,889,729.06
044	Department of Social Service	79,823.87		79,823.87
053	Port Department	57,624.00		57,624.00
056	Ministry of Agriculture & Marine Resources			
060	Ministry of Health	6,069,764.29	284,717.45	6,354,481.74
066	Department of Public Health	29,481.97		29,481.97
075	Min of Disaster Prep, Mgmt, Recovery	1,897,548.55	2,126,499.37	4,024,047.92
076	Office of Director of Public Prosecutions	5,321.36		5,321.36
	GRAND TOTAL	\$ 104,056,228.87	\$ 4,749,714.39	\$ 108,805,943.26

Appendix II

Unbudgeted Obligations as at October 14, 2021

Head	Ministry / Department / Agency	Recurrent Expenditure	Capital Expenditure	State-Owned Enterprises	Debt Servicing	Total Unbudgeted Obligations
001	Governor General & Staff	5,043.93				5,043.93
004	Department of The Auditor General	52,640.00				52,640.00
005	Ministry of Public Service & National Insurance	25,742,676.47				25,742,676.47
006	Cabinet Office	116,567.73				116,567.73
007	Office of The Attorney General	17,706,472.77				17,706,472.77
008	Office of The Judiciary	244,785.70				244,785.70
009	Court of Appeal	28,340.00				28,340.00
012	Parliamentary Registration Department	375,000.00				375,000.00
021	Ministry of Finance	216,039,541.68				216,039,541.68
023	Customs Department		47,040.00			47,040.00
026	Public Debt Servicing - Interest				9,320,666.66	9,320,666.66
027	Public Debt Servicing – Redemption & Sinking funds				246,000,000.00	246,000,000.00
028	Department of Inland Revenue	33,776.59				33,776.59
029	Ministry of National Security	9,980,406.00				9,980,406.00
030	Department of Immigration	72,127.98				72,127.98
031	Royal Bahamas Police Force	265,216.20				265,216.20
032	Royal Bahamas Defence Force	519,214.39	648,211.15			1,167,425.54
033	Ministry of Public Works		129,473,751.73	23,323,871.61		152,480,219.34
038	Ministry of Education	1,450,630.14		6,840,217.51		8,290,847.65
048	Department of Labour	55,123.64				55,123.64
056	Ministry of Agriculture & Marine Resources	40,000.00	117,400.00			157,400.00
057	Department of Agriculture	63,417.41				63,417.41
058	Department of Marine Resources	258,056.55				258,056.55
060	Ministry of Health	15,776,610.85	156,012.28	56,048,788.00		71,981,411.13
065	Department of Environmental Health Services	340,000.00				340,000.00
067	Ministry of Tourism & Aviation	4,188,822.00		34,157,509.48		38,346,331.48
073	Department of Transformation & Digitization	5,910,620.00				5,910,620.00
074	Ministry For Grand Bahama	115,082.35				115,082.35
075	Min of Disaster Prep, Mgmt, Recovery	1,820,382.81				1,820,382.81
	GRAND TOTAL	\$ 315,386,852.19	\$ 130,442,415.16	\$ 120,370,386.60	\$ 255,320,666.66	\$ 821,520,320.61



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