

SPECIAL AUDIT

Urban Development Commission

Introduction

The Barbados Audit Office was requested by the Ministry of Finance to conduct a special audit of the financial affairs of the Urban Development Commission. Certain aspects of the Commission's activities were reported on in our 2004 Annual Report. The results of a review of certain other activities are covered in this report. It should be noted that the report covers activities over an eight-year period. During this time there would have been changes made to the Board of the Commission and its staff.

2. The five specific areas reviewed were as follows: -
 - (i) House Repair and Replacement Program
 - (ii) Poverty Eradication Housing Program
 - (iii) Transfer of Title Program
 - (iv) Personnel
 - (v) Road Construction Program.

Audit Objectives

3. The objective of the audit was to determine whether the programs of the Urban Development Commission (UDC) were being efficiently administered.

Methodology

4. The Barbados Audit Office conducted a review of certain activities of the Urban Development Commission in a previous report. Additional activities of the Commission have now been covered in this Report. In conducting the Special Audit of the Urban Development Commission, the Barbados Audit Office held extensive meetings with the Director and members of staff of the Commission. At these meetings there were discussions on areas raised by the Audit Office and explanations provided by the Director and staff were taken into account in preparing the Final Report. In addition, there were interviews held with the Board of the Commission, and the Permanent Secretary, Ministry of Social Transformation. Accounting records and other relevant correspondence, including minutes of the meetings of the Board and Committees of the Board were also reviewed.

Audit Criteria

5. The audit criteria for assessing the above were as follows: -

- (i) Application of the Urban Development Commission Act.
- (ii) Application of the administrative rules and decisions established by the Board of the Commission.
- (iii) The employment of good business practices ensuring that expenditure was incurred on activities associated with the Commission's mandate, and with due regard to economy and efficiency.

CHAPTER 1

House Repair and Replacement Program

Background Information

During the eight years ending March 2005, the UDC expended over \$30 million on its house repair and replacement program. During this period in excess of 1300 houses were built or repaired throughout urban Barbados and several homes were provided with waterborne facilities.

1.2 Officers of the UDC investigate cases referred to the Commission for assistance. The Commission has indicated that these persons are referrals from churches, social clubs, parliamentarians, walk-ins and persons about whom observations were made by personnel of the Commission. Based on investigations a recommendation is made to management of the Commission and a decision with respect to house repair, house replacement or the provision of waterborne facilities is then determined.

1.3 In respect of house repairs three contractors are required to visit the proposed construction site and to submit quotations. The successful contractor is subsequently informed and is paid a mobilization fee equivalent to 25% of the contract sum.

1.4 During the construction process, UDC's technical officers are required to visit the work sites. Based on the work completed and claims submitted by the contractor, technical officers should then submit written recommendations with respect to the amount of money to be paid.

1.5 After a new house is built for a client, the Commission allows the occupant to use and occupy the constructed chattel dwelling house for the term of the occupant's natural life or for a

period of not less than ten (10) years (whichever period is soonest) at no cost to the occupant.

1.6 With respect to houses repaired by the UDC, the property remains that of the client who has full responsibility for maintenance and insurance.

1.7 A summary of the audit findings on this program is as follows:-

Audit Findings

- (i) Over the past eight years the UDC spent over \$30 million on its house repair and replacement program. Approximately five hundred (500) houses were built and eight hundred (800) repaired over the review period.
- (ii) The Commission did not follow a clearly defined process for selecting contractors to carry out its house repair or house construction programs.
- (iii) The basis on which payments were made to contractors was difficult to assess, as the scope of works was at times not properly defined.
- (iv) In December 2002 the Commission received funding of \$1.5 million to continue activities under the National Assistance Board (NAB) Housing Program. The moneys were however used to fund other activities by the Commission.

- v) A number of houses repaired were located outside the geographical area for which the Commission has responsibility.
- (vi) Some of the properties owned by the Commission were not properly managed and several were in a state of disrepair.
- (vii) Several houses were constructed without first obtaining permission from the Town and Country Development Planning Office.
- (viii) In a number of instances funds were disbursed without proper authorization and supporting documentation.

Award of Contracts

1.8 It was observed that a number of contracts were awarded without the Commission requesting competitive bids. In addition, while evidence was seen of one contractor being paid, there was no information available to show that any service was rendered. This related to a payment of \$10,500.00 which was made in May 2003.

1.9 It was also observed that a number of payments made to contractors were not properly authorized by the technical staff or certified by the accounts staff prior to payment. Relevant examples were provided to the Commission.

1.10 The deficiencies observed in the system were as a result of internal controls not functioning. A review of these operations should be undertaken with a view to strengthening the system of internal controls.

1.11 It was observed that approximately six hundred (600) firms were registered with the UDC under the House Repair and Replacement Program. The Commission had indicated that contractors are drawn from this register in alphabetical order and that contracts are awarded in compliance with the Financial Rules.

1.12 An analysis of the process of allocating contracts between April 2002 and March 2004 was carried out. There was however no evidence that these contractors were selected in any alphabetical order. During the review period it was observed that more than \$13.0 million had been spent on the program and that nine (9) contractors were awarded a significant portion of the allocated jobs. Details relating to the nine (9) contractors are as follows: -

Contractor No.	No of Contracts Awarded	Total Received \$
1	14	351,682.50
2	18	201,530.21
3	23	684,199.32
4	25	606,948.36
5	26	100,847.69
6	35	784,901.29
7	36	302,380.19
8	78	897,789.45
9	90	1,115,682.50

1.13 In April 2004 the Commission in response to a directive by the Board, installed a Working Party, whose mandate was to prepare criteria for the grading of Contractors. The Commission has reported that two grading exercises have been completed. Our review however failed to reveal any evidence that contractors were selected in an organized manner from the list of 600 contractors on file or from those graded by the Working Party. The Commission is seeking to establish a system whereby contractors are assessed before they are awarded contracts and this is a step in the right direction since anyone can apply for work at the Commission. There also needs to be a system in place whereby those persons who meet the qualifying criteria are given a fair chance of being awarded a contract. This would bring greater transparency to the selection process.

1.14 ***Response of the UDC***

The system for the award of contracts is provided for in the Financial Rules. The UDC awards contracts in the Public Service in the strictest compliance of those rules. The method used for invitation to bid should not be confused with the system for the award of contract.

Since 1998 there has existed at the Urban Development Commission, a system and method of selecting contractors to bid for award of contract. The Management of the UDC has always referenced its Register of Contractors. The Register represents all persons having an interest in providing services under the program without regard to their qualifications or capacity to deliver these services under its Poverty Alleviation Program.

The Commission conceded that it erred in allowing persons to remain on its Register of Contractors including those persons whose only claim to being a contractor was that they were unemployed, unemployable, homeless, vagrants of Bridgetown, criminal deportees and those who frequented Parliament yard.

From 1998, the Commission has drawn from this Register in a very systematic way. The Register was administered through Management Meetings or by the Director between meetings. With effect from April 15, 2004 the Board of the UDC established an Internal Technical Committee and the duties have since been transferred to that Committee.

Scope of Works

1.15 The Scope of Works is a document which details the work that is to be performed by the contractor on the construction project. A number of Scope of Works documents examined by the Audit office were deficient since there was insufficient information provided on the exact nature of work that was to be performed.

1.16 Contractors are required to visit houses and provide estimates. Each contractor conducts his assessment of the work that has to be performed. As a result bids were based on each contractor's estimation of what work was to be done to the particular property. Such a system therefore made it very difficult to compare or assess competing bids.

1.17 The Audit Office is of the view that the current system is in need of urgent reform. The Commission should consider having its Technical Officers providing a specific description of what work is to be carried out in respect of particular repairs. This would allow for adequate comparability of bids and could also be used for monitoring the progress of work.

1.18 **Response of the UDC**

The Director stated that the Commission recognized that in the primary stage of the program in 1998 the Scopes of Works were not always detailed. The Commission recognized the weakness and has since developed a detailed Scope of Works Form which is properly checked by a cadre of trained technical officers.

The Director indicated that it would be sometime before contractors would be capable of using the form in a professional way. The technical Officers would continue to work with the contractors in an effort to upgrade their skills to an acceptable level.

Operations Outside the Urban Area

1.19 The Commission, in accordance with the UDC Act, has been given specific geographical boundaries within which to operate.

1.20 A number of houses repaired were located outside the specified area for which the UDC has responsibility. The responsibility for these repairs lies with the Rural Development Commission.

1.21 **Response of the UDC**

The Commission notes that in some specific cases persons living within the jurisdiction of one or the other Commission, in need of assistance, would receive the assistance by either Commission by virtue of the origin of the original address of the prospective beneficiary rather than the location of the project.

Houses Built Without Planning Permission

1.22 A number of files were examined to determine if permission from the Town and Country Development Planning Office had been obtained. The Commission could however provide no evidence that planning permission had been obtained. These cases were as follows:-

- (i) A house was constructed for an applicant. Planning permission to construct this house was denied in May 2002, nevertheless the Commission proceeded to construct the house.
- (ii) An application was made for renovation of a house. Work was carried out at the site that was not in compliance with the planning permission granted. The Chief Town Planner then advised that a new application be submitted, but there was no evidence available to show that this was done.
- (iii) A house was constructed without planning permission. This house was eventually removed by the Commission in 2005.
- (iv) There was no evidence to show that an application was submitted for the construction of a three-bedroom house. This house was nevertheless constructed by the Commission.

- (v) A house was constructed for an applicant. The Commission however could not provide any evidence that permission was granted by the Town and Country Development Planning Office.

1.23 The Commission should seek to ensure that its operations are in keeping with the Town and Country Development Planning Office regulations.

Other Issues

1.24 It was noted that house repairs costing approximately \$85,000 were incurred on a particular property. It should however be noted that the repairs far exceeded the \$54,000 normally paid to construct a three-bedroom chattel house. In spite of repeated requests for information on the approval process and the criteria for which the client was awarded assistance, this matter has not been adequately explained by the Commission.

1.25 The Commission spent approximately \$91,000 to carry out repairs to another house. No detailed information was provided to indicate why the repairs required such substantial expenditure.

1.26 On a number of occasions, funds from the house repair and replacement program were used to finance business ventures. Examples are as follows: -

- (i) A contractor was employed to construct a bar and restaurant in May 2003. \$21,000 was spent on this project which was halted because there was no planning permission granted.
- (ii) A stall for vendors was built at a cost of \$8,000 in May 2003.

- (iii) A snackette was constructed at a cost of \$19,473.34.

1.27 Commercial ventures such as those listed above, should have been considered for financing out of the Enterprise Fund or referred to other lending agencies. It should be noted that there was no information indicating that any of the recipients were poverty cases. In two of the cases outlined above there were no files made available for audit inspection in spite of repeated requests.

1.28 The Audit Office was also concerned that there was no information presented outlining the basis for which the assistance was granted to the recipients.

1.29 ***Response of the UDC***

At the time when these three (3) cases were brought to the attention of the Commission and examined, they were all found to be genuine poverty alleviation initiatives which could not be considered under the Urban Enterprise Loan Scheme, far less referring them to other lending agencies. It is felt that a Statutory Board, such as the Urban Development Commission, which was given a mandate to assist persons in alleviating poverty, must be permitted to continue providing merited assistance to those deserving, poor persons. In this regard, assistance was rendered to the three clients, whose sustained ventures are success stories in poverty alleviation and are lauded by the Commission.

Management of Housing Stock

1.30 The UDC has responsibility for the management and maintenance of over five hundred (500) houses. A review of the records showed that the Commission was deficient in the management of its housing stock. Examples of these deficiencies are as follows: -

- (i) A number of houses were in a state of disrepair.
- (ii) The signing of the life licence agreement is an indication that the tenant recognises the UDC as the owner of the house. The Commission's auditors in their annual reports on the 1999-2000 and 2000-2001 financial years noted that there was a significant number of houses with a cost in excess of \$5 million for which no life licences were issued and these were excluded from the assets of the Commission in the Auditor's Report.
- (iii) The UDC has determined that an occupant of one of its houses had no legal right to possession. This situation needs to be resolved as the individual is claiming that right.
- (iv) The UDC built a number of houses that have been sold to individuals. It should be noted that Section 31 (a) of the UDC Act requires the Commission to obtain the approval of the Ministry of Finance for the disposal of capital assets and this approval had not been obtained.

1.31 *Response of the UDC*

While the Commission recognizes that there has been a deficiency in the management of its housing stock, the Board and management are currently seeking to address this staffing issue through the Ministry of Social Transformation.

Houses Transferred from the National Assistance Board

1.32 The records show that in excess of two hundred and fifty (250) welfare houses owned by the National Assistance Board were transferred to the UDC in April 2002. At the time of transfer, the UDC did not conduct an audit to verify existence and/or to assess the condition of the houses. An audit exercise was however conducted during the financial year ending March 2004 and only one hundred and seventy one (171) could be accounted for.

1.33 With respect to the financial year ending 31st March 2003, no funds were included in the UDC's expenditure estimates for maintaining the houses taken over from the NAB, many of which were in a state of disrepair. The Ministry of Social Transformation however made available \$1.5 million from the Poverty Alleviation Fund to assist with the Housing Program previously undertaken by the National Assistance Board. In its request to the Ministry of Finance, the Ministry of Social Transformation had indicated that the funds were to be used for repairs to the Welfare Houses transferred from the National Assistance Board as well as private houses needing repairs. The funds were received by the UDC in December 2002.

1.34 The funds, referred to above, were not used by the UDC for the purpose identified. The records show that the funds were used to meet the cost of painting National Housing Corporation houses in the Pine, Wildey and the Deacons Farm Housing areas, to provide loans under the Enterprise Loan Scheme, to build concrete roads, and to finance projects under the House Repair and Replacement Program.

1.35 The UDC indicated that when it received the funds they were accompanied by a list of names of forty-four (44) persons whose houses were to be repaired. It also indicated that contractors had also been assigned to carry out the work. These requests amounting to \$1,070,934.36 were said to have originated from the Ministry of Social Transformation. The majority of the houses on the list were privately owned houses of persons who had applied to UDC for poverty alleviation to have their houses repaired. Only four of the properties were identified as former NAB houses.

Absence of Life Licences

1.36 It is the policy of the UDC that persons who receive a house built by the Commission should sign a life agreement in which the Commission maintains its interest in the property. The UDC did not have agreement for many of the houses that were built. In the 1999/2000 and 2002/2001 audit reports the Commission Auditors had expressed concern that there were no agreement in place for houses with construction cost of over \$5.0 million dollars. The Audit Office provided the Commission with a list of one hundred and two (102) names for which no life licences were seen. The Commission indicated that nine (9) of these houses were repairs and that life licences were available for a further twenty-two (22). Investigations on the remainder were said to be ongoing.

1.37 An instance was observed where family members of a deceased UDC client have been renting out a property. In accordance with the Commission's policy a life licence should have been in place which would have clearly established ownership rights of the UDC. However, in this instance no life licence had been signed thus creating a difficulty in the Commission establishing its ownership rights.

1.38 This example illustrates the concerns of the Audit Office that without a life licence in place ownership of part of Commission's housing stock of over five hundred (500) houses could be easily contested.

Criteria for Assistance

1.39 It should be noted that the information on the files of some persons whose houses were repaired was either incomplete or inadequate and the basis for granting assistance could not be ascertained.

1.40 In other cases the individuals who were granted assistance did not fall into any of the categories of persons targeted by the UDC as poverty cases.

1.41 There was no information on file in respect of a number of persons who received assistance in the form of house repairs or replacement under this program.

1.42 Our investigations revealed that in a number of instances the persons who obtained assistance were gainfully employed and there was no information on file indicating that the assistance was granted as a result of any recommendation following a needs assessment. In short the UDC failed to establish any case for them to be granted assistance. While these persons were granted assistance, many of the former NAB houses remain in a state of disrepair.

1.43 *Response of the UDC*

The UDC was never made aware of any association between those funds and houses owned by the NAB. The funds which were requested by the Commission were to facilitate a list of projects to be undertaken through its own Poverty Alleviation Program.

The funds of \$1.5 million were used ONLY for the purposes for which they were requested - projects to be undertaken under the Urban Development Commission's Poverty Alleviation Program.

The Commission noted that this Memo, when received from the Ministry of Social Transformation was accompanied by a Government of Barbados Cheque No. 480382 and a list of forty-four names with contractors assigned.

The Commission's position on this matter is that whereas the directives issued in the Memo from the Ministry of Social Transformation might have been at variance with those from the Ministry of Finance, the Auditor General's assertion that the funds allocated were for the repairing of houses formerly owned by the NAB is not grounded in fact.

The staff of UDC faithfully carried out the instructions of the former Chairman and the Ministry of Social Transformation.

CHAPTER 2

Poverty Eradication Housing Program

Background

The Poverty Eradication Committee (PEC), which has been functioning since 1999, is an eight-member committee chaired by the Director of Finance and Economic Affairs. Members are drawn from the private sector and other governmental organizations. The committee, with the assistance of the Poverty Alleviation Bureau, examines poverty cases relating to individuals living in urban and rural Barbados and determines those deserving of Governmental assistance.

2.2 The Committee specifies the projects to be funded and approves the funding. Where appropriate, projects are referred to the UDC for action to be taken and action taken includes repair or replacement of houses, and the provision of waterborne facilities. Approximately ninety-five (95) projects were referred to the UDC during the five-year period to March 2005. The funds approved for these projects were approximately \$4.0 million.

2.3 The records and other relevant information, relating to this aspect of the UDC's operations, were reviewed in an effort to determine the extent to which the UDC was able to carry out the projects which were referred by the PEC.

Findings

2.4 The Commission, for various reasons, did not always comply with these requests and as at March 31, 2005 some thirty-eight (38) projects had not been started or completed. The value of thirty-eight (38) projects was estimated to cost in excess of \$1.0 million. Examples of projects are as follows: -

- (i) Three projects for which the UDC had received \$148,747 were awaiting Town and Country Development Planning Office approval. One of the projects, the construction of a new house, was approved since July 2003.
- (ii) In one particular case the landlord refused to give permission for water borne facilities to be installed. The UDC received \$16,466 for this project that was approved in 2002.
- (iii) With respect to two projects for which the UDC received \$94,000, no land was available on which to build the houses.
- (iv) Two projects remain unfinished and both intended beneficiaries have since died. One project, approved in 2002, and for which the UDC received \$45,500, was for the construction of a new house. The other project was for house repairs estimated to cost \$11,000.
- (v) The intended beneficiary of house repair assistance could not be located and one particular project was hampered as a result of an outstanding legal issue. The UDC received \$35,000 and \$47,000 for the respective projects but neither of the two was started.

2.5 In addition to the above construction work had not commenced on 19 projects to build new houses. Some of these projects were approved more than four years ago. In February 2006 the Commission provided the following explanations on the special projects that had not commenced.

Project No.	Status
1	UDC awaiting plot plan from Ms Matthews.
2	Second duplex completed.
3	Beneficiary died.
4	No action was taken because the file was mislaid. It will now be reactivated.
5	No action was taken because the file was mislaid. It will now be reactivated.
6	No action was taken because the file was mislaid. It will now be reactivated.
7	Previously landless - now has spot outside urban area.
8	No action was taken because the file was mislaid. It will now be reactivated.
9	No action was taken because the file was mislaid. It will now be reactivated.
10	Work completed.
11	Outside urban area. House and land being purchased through attorney-at-law.
12	Work completed.

Other Projects

2.6 On 12th May 2002 the UDC requested \$1,336,481.83 from the Ministry of Social Transformation to finance thirty-nine (39) projects. On 2nd August 2002 the UDC received \$1.3 million from the Ministry in order to fund these projects.

2.7 Thirty-three (33) files were reviewed by our Office. A further six files could not be located. An analysis of the files reviewed revealed the following: -

Projects completed	17
Projects not started	15
Client disqualified	<u>1</u>
Total	<u>33</u>

2.8 ***Response of the UDC***

The Commission provided the following information in respect of the projects which were not started.

Project No.	Status
4	Contract approved. File mislaid, will now be reactivated.
6	New contractors to be invited.
8	No action was taken because the file was mislaid. It will now be reactivated.
10	No action was taken because the file was mislaid. It will now be reactivated.
15	Client died.
18	Work in progress.
21	No action was taken because the file was mislaid. It will now be reactivated.
23	No action was taken because the file was mislaid. It will now be reactivated.

Project No.	Status
25	No action was taken because the file was mislaid. It will now be reactivated.
27	Town Planning permission denied.
30	No action was taken because the file was mislaid. It will now be reactivated.
31	No action was taken because the file was mislaid. It will now be reactivated.
32	Could not have started. Spot was not available, work will soon begin.
35	Outside of urban area.
38	House completed.

Conclusion

2.9 The UDC has not been providing regular feedback to the PEC on the status of projects for which it received funding. Such information would assist the PEC in recommending how any unspent funds should be reallocated. A significant number of files were reported as mislaid and this situation is unsatisfactory. The UDC needs to improve its information systems in order to prevent a recurrence. It should be noted that those persons who have not received assistance to date are those who have been determine to be in dire need.

Recommendations

2.10 Recommendations are as follows: -

- (i) The UDC needs to provide regular feedback to the PEC on the status of the projects for which it has received funding.
- (ii) The funds received from the PEC for special projects should be separately accounted for.
- (iii) The PEC should determine how funds not spent should be utilized.
- (iv) Outstanding projects should be given priority.

CHAPTER 3

Transfer of Title Program

Background

The Transfer of Title Program assists qualifying tenants in Urban Barbados to acquire lots under the Tenancies Freehold Purchase Act of 1980. This program is administered by the UDC. A review was carried out to assess whether the UDC efficiently and effectively managed the transfer of title as provided for under the Act.

3.2 Under the Transfer of Title Program tenants meeting certain qualifying conditions can acquire the land occupied by them at certain specified costs. The role of the UDC in this process is to identify areas of land on which qualifying tenants reside, negotiate a purchase price with the landlord or agent, and have the areas surveyed and divided into lots. Provided the tenants fulfill their obligations, the UDC ensures that the subsidies are paid.

3.3 Individuals meeting the qualifying criteria are required to pay \$2.50 per square foot and the UDC undertakes to pay the balance of the negotiated price. Three hundred and ninety-four (394) tenantry areas have been identified of which approximately two hundred (200) have been surveyed. The tenancies surveyed consist of approximately four thousand (4000) house lots. Tenants are invited to community meetings during which they are advised as to the steps which are required in order for them to purchase the land on which they reside.

3.4 Differences sometimes arise between the UDC and the landlord over the market price of the tenantry lots. To resolve these disputes, the Tenancies Freehold Purchase Act provides for the matter to be referred to Small Holding Committees for a decision. The Committee's decision on the matter is final.

Findings

3.5 A number of factors have hindered the process of transferring title from landlord to tenants and these include the following.

Payment of Subsidies

3.6 The UDC received over \$8.0 million for use in its transfer of land title program and of this amount \$3,769,866.42 was used for subsidies. The remaining funds were used to support other programs of the Commission. This utilisation of funds for other purposes has affected the ability of the UDC to make timely settlement under this program.

Small Holdings Committees

3.7 The Minister of Agriculture is responsible for appointing members to the Small Holdings Committees. Each committee is made up of a Chairman and two lay members. Since 2002, four (4) tenancies, involving two hundred and eighteen (218) lots, have been placed before the Small Holdings Committee, District A to decide on the price per square foot at which these lands should be sold. At the time of writing no decisions had been made. The tenancies affected are as follows: -

Name of Tenancy	Lots
Simeon Jordan	85
Halls Road (Simpson's Land)	85
Darrell Parris	25
Crichlow Estate	23

3.8 With respect to the Halls Road (Simpson's Land) Tenantry dispute, the UDC asked the Trustees of the tenantry to indicate in writing the proposed price at which the lots would be sold. The trustees' appointed attorneys, responded in July 2001 to the effect that a fair value of the lots was considered to be as follows: -

Lots on Halls Road - \$15.00 per square foot

Lots on the side roads - \$7.50 per square foot

Lots that lie off the roadside - \$5.00 per square foot

3.9 On the other hand, the UDC set a maximum of \$7.50 per square foot. The matter was referred to the Small Holdings Committee since January 2002 and a decision is still pending. It should be noted that a letter from the trustees' attorneys indicated that they reserved the right to adjust those prices as time goes by and as market forces dictate.

Other Issues

3.10 There are a number of other issues affecting the transfer of titles and these include the following:-

- (i) The preparation of the conveyances relating to lots situated at Gwendolyn Gibbs Tenantry, Fairfield, Black Rock has been long outstanding. The attorney representing the tenant has already been paid \$65,622.57.
- (ii) It is reported that the attorney representing both the landlord and the tenants of Snagg Land Tenantry has not prepared the conveyances as he is awaiting full payment from the tenants.

- (iii) A number of tenants have complained to the UDC in relation to attorneys who they claim are frustrating the process by failing to prepare the necessary legal documents.
- (iv) Inordinate delays have been experienced in having land surveyed. A land surveyor was hired in October 1999 to provide surveying services and to submit the key and lot plans for the Simmons/Halls Road Tenantry. A period of three and a half years elapsed before this task was completed.
- (v) The surveying job relating to the Simeon Jordan Tenantry, comprising eighty-five (85) lots was awarded in 2003 and to date, the plans have not been submitted.
- (vi) The tenants' ability to meet their share of the purchase price is another factor that has impacted on the transfer of title of some properties.

Conclusion

3.11 The Small Holdings Committee has not been making timely decisions with respect to the settlement of disputes, and this is impacting negatively on the final costs that Government will be required to pay. It is imperative therefore that this matter be given urgent consideration by all the parties concerned.

3.12 The UDC received in excess of \$8.0 million to pay landowners. Some of the money has been used for the purpose but the remaining funds have been utilized to finance other UDC activities. Since the UDC's obligations to the landowners remain,

additional funds will have to be provided to meet future costs when subsidies are due.

3.13 *Response of the UDC*

The only major setback to this program occurred specifically during the financial year 2003-2004. The Capital Works of the UDC vote was provided as block vote by Parliament and that Statutory Boards unlike central Civil Service Departments always had permission of virement in the interest of good governance. The funds voted annually were provisions for that specific year and not intended to be carried over to a subsequent year. There has never been a directive or indication from Cabinet that any unspent allocations for any item should be "funded". The Commission therefore legally used its lapsing funds from one item to carry out approved but under-budgeted programs for the particular year.

The Transfer of Title Program, despite the 2003-2004 period, has been and remains on track as at December 31, 2005.

CHAPTER 4

Personnel

During the last five years, the UDC abolished a number of established posts and asked the Ministry of the Civil Service through the Ministry of Social Transformation to create new posts that included Administrative Officer I, and Principal Legal Assistant. Although the posts referred to above were not created by the Ministry of the Civil Service, officers whose posts were abolished were placed in these positions. This situation needs to be regularized since officers are occupying positions that do not legally exist.

4.2 Two officers seconded to the UDC from Central Government occupied posts that were not formally created. One officer retired from that position in November 2004 after serving for a period of seven years. As a result of the situation not being regularized the officer could not be awarded retiring benefits based on the emoluments attached to the post. The other officer continues to occupy a post that was not created by the Ministry of the Civil Service.

4.3 A number of individuals were employed by the UDC in temporary positions. However, the contributions paid to the National Insurance Department on their behalf were on the basis used for permanent employees, which does not include the unemployment benefit element. As a result of the above, some individuals, whose temporary appointments ended, were unable to claim unemployment benefit. This situation should be regularized.

4.4 It should be noted that some of these issues were drawn to the attention of the UDC in our previous report. At the end of the review period these matters remained outstanding.

CHAPTER 5

Road Construction Program

A review of the Tenantry Road and Concrete Road Programs was carried out covering the period October 1997 to March 2005.

5.2 The objective of the audit was to determine if the programs were being administered in accordance with the Urban Development Commission Act, other relevant legislation and by the application of good business practice.

Background

5.3 The Tenantry Roads Program was instituted by the Board of the UDC in 1997 and the Concrete Roads Program commenced in the financial year 2001-02. The Concrete Roads Program has now been terminated whereas the Tenantry Roads Program is ongoing. In addition to the construction of approximately 90 roads at a cost of \$8.3 million, the Commission has also built a number of pathways and steps.

Findings

5.4 Audit findings are as follows: -

- (i) The Commission has not been following the Laws of Barbados in obtaining land from private individuals for the purpose of road construction.
- (ii) Some land has been utilized by the UDC without the permission of the landowners being obtained.

- (iii) The Commission has been compensating some landowners for land utilised without appropriate legal steps to acquire the land.
- (iv) In many instances, citizens have benefited from the implementation of this program which has positively impacted on the values of some properties.

Land Acquisition Process

5.5 In order for construction of roads to take place, it is often necessary for land to be acquired. The Barbados Audit Office requested information from the Chief Legal Officer of the Ministry of Housing and Lands on the procedure which should be followed by state agencies in acquiring lands for Government projects. The Ministry of Housing and Lands indicated that lands could be obtained by private treaty or compulsory acquisition.

5.6 Under private treaty the Ministry of Housing and Lands and the landowner would negotiate a price for the land being acquired and the land acquired would be vested in the Crown by conveyance.

5.7 Under Compulsory Acquisition, the land would be compulsorily acquired by the Crown under the conditions laid out under Cap. 228 of the Laws of Barbados. This process would include the approval of Cabinet and Parliament, and the issuance of notices in the Official Gazette and a local newspaper.

5.8 The lands acquired depending on the purpose for which they were acquired may be vested in a specific Government agency under Cap. 225.

Process Used by UDC

5.9 The Commission has not followed the process outlined by the Ministry of Housing and Lands when utilizing private property for road construction.

5.10 The method used by the Commission involves informing persons that it wants to acquire some of their property for road construction. The land is then surveyed in order to determine how much land is to be utilized. After the construction of the road the Commission has on occasions paid compensation for what was termed “use of property”. Landowners are provided with revised plots which are registered with the Lands and Surveys Department. These plots are used by the Land Tax Department to assist with the determination of the land tax payable.

5.11 It should be noted that the process used was not in keeping with the procedures outlined by the Ministry of Housing which requires approval of the Cabinet and Parliament in addition to a formal vesting of lands in the Crown.

Land Utilised Without Owners’ Permission

5.12 Efforts are made by the UDC to inform residents and landowners of intended road construction and the possibility that it may be necessary to utilize some of their land. The UDC also requests permission in writing from landowners. However, the UDC’s records show that permission was not always obtained prior to road construction taking place. From a sample of twenty Complaints and Compensation files examined by our auditors, there were ten complaints registered by landowners relating to utilisation of land without permission of the owners.

Conclusion

5.13 Based on the requirements outlined by the Ministry of Housing and Lands for acquiring property and the practices followed by the UDC there has been no legal transfer of title to the Crown. The Ministry of Housing and Lands is the state agency with responsibility for the land acquisition process. This process should have concluded with the relevant conveyances being issued to the Crown, and persons compensated for the land acquired.

5.14 Although a number of persons have been paid compensation, there has been no vesting of these lands in the Crown. It should also be noted that there is no comprehensive listing of landowners affected by the process and this information now has to be obtained.

5.15. The process of utilising land for road construction has not been adequately handled. The Commission should have sought the advice and guidance of the Ministry of Housing and Lands on how to proceed with this matter. It is now in the best interest of the Commission to initiate a process whereby all issues relating to the acquisition of land for road construction can be resolved in accordance with the Laws of Barbados.

5.16 *Response of the UDC*

The Commission has assigned an officer to deal with matters relating to the compensation of project-affected landowners. The Commission recognizing its deficiency in this area has taken steps to correct this by engaging the services of professionals to conduct the resurveying of lands, preparation of revised plot plans, valuations, all of which must be duly completed. Correspondence is then drafted and forwarded to persons with an offer which they can accept or reserve a right to refuse.

In those instances where consensus has been reached between the Commission and the landowners, payments are prepared on behalf of these persons.

Recommendations

5.17 Recommendations are as follows: -

- (i) The Commission should seek advice from the Ministry of Housing and Lands on the process which should be followed when it is seeking to utilize land for road construction, and follow this process.
- (ii) The Commission should make a serious effort to investigate all cases in which it has utilized lands. These cases should be referred to the Ministry of Housing and Lands for settlement.

CHAPTER 6

Overall Conclusions

The UDC has been provided with significant sums of money from the public purse in order to carry out the responsibilities given under the Urban Development Commission Act. Some successes have been achieved particularly as it relates to the provision of housing for hundreds of persons. There are some areas of concern in respect of its operations. One of the major concerns is the diversion of funds to projects other than those for which they were intended. As a result of the diversion, projects such as the repairs to the former NAB houses have either not started or remain uncompleted.

6.2 The House Repair and Replacement Program has been affected by a number of control issues and there appears to be no systematic method of awarding contracts. The Commission may require external help in this regard. Criteria should be established so that contractors are aware of what is expected of them and how they can qualify for work.

6.3 The property management practices of the UDC should be reviewed and strengthened. A system should be put in place to ensure that maintenance of the housing stock is timely. Effective policies with respect to the transfer of ownership should also be followed.

6.4 A number of control issues were identified relating to the management of contracts. Too often payments were made without reference to the Technical Officers who are required to evaluate jobs before funds are disbursed.

6.5 The Scope of Works was often deficient and in most instances it was unclear what work had been completed and what value should be apportioned to this work. The deficiencies in these documents rendered the UDC liable to the serious risk of making

payment for work that could not be adequately measured or properly verified.

6.6 Several payment vouchers were not certified correct, and the description of service was often inadequate. Such practices are unacceptable, and in a number of instances the funds of the Commission have been used to assist persons who should not have been considered as poverty cases.

6.7 The last audited Statements of Accounts prepared by the Urban Development Commission were for the year ending 31st March 2000. At the time of writing the Statements for the year ending 31st March 2001 were being finalised. Serious efforts should be made to bring the audited accounts up to date in a more timely manner.

6.8 The UDC is also seeking to make progress with the Transfer of Title Program. However, this process has been delayed due to the slow pace of work by the Small Holdings Committee of District 'A' and the inability or unwillingness of some tenants to pay their share of the purchase price.

6.9 The UDC must follow the Laws of Barbados as it relates to land acquisition. It has utilized numerous areas of land from property owners, and in some cases landowners were paid sums of money for the utilisation of property. This has been done without the necessary legal action being taken to have these lands formally vested in the Crown.

6.10 The UDC must pay special attention to having adequate information systems in place. Often basic information on the house or roads programs was not available and this lack of information delayed the audit but more importantly was not available to management for decision-making purposes. By the Commission's own admission quite a number of persons would have been denied assistance apparently because of poor file management.

6.11 There is no doubt that the UDC has made a valuable contribution to the life of the urban poor. However, this contribution could be enhanced if some of the deficiencies outlined in this and in our previous report are addressed.

