



BARBADOS

AUDIT

OFFICE

Special Audit
of the
Barbados
Coalition of
Service
Industries



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Special Report on the Barbados Coalition of Service Industries Inc.

Executive Summary

The Barbados Coalition of Service Industries (BCSI) is a not for profit service Company which is funded by grants provided by the Government of Barbados. Its primary aim is to assist in the development and diversification of the services sector in Barbados.

2. The Organization exposed a number of local service industries to export possibilities. Through its Workshops it would have sought to improve the capacities and competitiveness of its members.

3. In terms of obtaining additional business opportunities from export activities a large portion of the Organizations expenditure was utilized in this activity. Information available from the reports would however indicate that this activity was not as successful as anticipated. Indeed there is no evidence of any significant or long lasting business opportunities as a result of these missions.

4. From the inception of the BCSI the Government of Barbados has been the main source of funding; yet it has had no representative on the Board of Directors to represent its interest. The reports generated by the BCSI are not comprehensive and as the major provider of funds the Government should be represented on the Board of Directors to better understand its operations and to make timely interventions where warranted.

5. There were a number of governance and funding issues highlighted and these relate to the absence of direct involvement of the Board in key decision making activity. These include approving the budget, tradeshow and the recruitment of board members to perform paid services in the organization.

6. There were also a number of issues relating to the incorrect payment of board fees and the need to set policies in place in respect of the use of credit cards and cellular phones. The current practice is for the Office to pay all cellular phone charges for the bills both local and overseas without any limits. This practice should be reviewed to prevent any abuse.

7. Overall the BCSI have received grants in excess of \$4.1 million over the past five years however there is no measures in place to adequately assess the effectiveness of the company. These measures should be in place and relevant reports generated in order for the Government, its main sponsor to determine how much additional funding it would be willing to supply to help the organization meet its mandate.

Chapter 1

INTRODUCTION

Background

In 2001, the CARICOM Secretariat recommended that a services coalition be established in each member state. The purpose of the Company was to serve as a focal point for the services sector and function primarily as a lobbying institution in order to provide CARICOM governments and negotiators with general and sectoral positions as it related to trade in services. The proposed coalition would be a member of the Technical Working Group in Services, an organ of the Caribbean Community.

1.2 The Barbados Coalition of Service Industries Inc. (BCSI) is a non-profit company, which was officially launched in November 2002. The aim of BCSI is to develop and diversify the services sector and to prepare service providers to manage the challenges and opportunities which will be presented in an era of expanding global markets.

Organization's Objectives

- 1.3** The objectives of the organization include:
- promoting the further development and competitiveness of Barbados' service sector;
 - ensuring that the highest industry standards are met by all Barbadian service providers;
 - educating Barbados service providers on relevant aspects of the Caribbean Single Market and Economy, World Trade Organisation, Economic Partnership Agreement and other trade agreements and on any government policies or issues which can affect trade in services;

- representing the interests of Barbadian service providers by lobbying government for legislative and policy changes which will promote fair multinational rules for trade in services;
- providing Barbadian service providers with knowledge of export opportunities and to promote export activities.

The primary the objective of BCSI is to assist service providers to develop their businesses and provide opportunities for them to export their services

Funding

1.4 The BCSI was supported financially by the Government of Barbados by way of grants during the period under review. The monies disbursed were for the payment of salaries, rental charges and project cost. Two hundred and fifty thousand dollars (\$250,000) was disbursed in financial year 2003-2004, this amount has increased in the intervening years. Table below shows the subsidies received and expenditures by BCSI for the financial years 2005-2009.

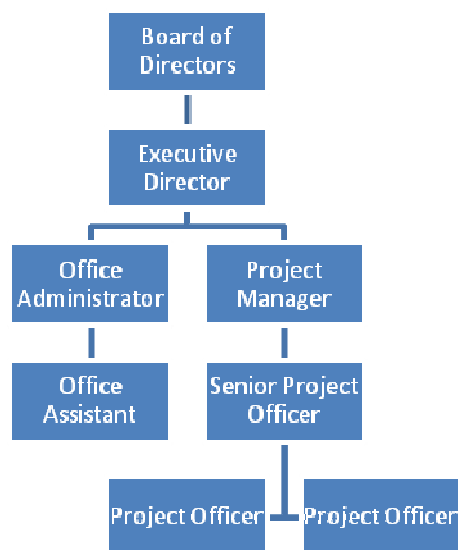
Financial Year	Subsidy Paid	Expenditure
2005-2006	\$ 575,000	\$ 584,451
2006-2007	\$ 1,000,000	\$ 597,717
2007-2008	\$ 1,200,000	\$ 855,266
2008-2009	\$600,000	\$ 945,583
2009-2010	\$750,000	

Legislation

1.5 The BCSI is governed by the Companies Act, Cap 308 and it's By-Laws. The By-Laws provide guidance on matters such as the number of directors, when the annual general meeting should be held, election of directors and the authority of the Board and membership.

STRUCTURE of ORGANISATION

The organizational structure is shown below:



The Board of Directors and Secretariat

1.6 The Board of Directors has been charged with the responsibility of ensuring that the BCSI achieved its mandate. To achieve this mandate the Board has set a number of objectives and have established a secretariat to pursue the objectives. Within the Secretariat there are a number of Officers to which have been allocated resources and assigned objectives and strategies to help them achieve the mandate of the organization.

1.7 Operationally, BCSI has develop four lines of activity and these are: Education, Development, Export Promotion and Lobbying/ Advocacy. Each activity is the responsibility of a project manager or a project officer and has its' own objectives and strategies.

Reasons for the Audit

1.8 This audit was conducted as a result of a request by the Ministry of Finance for a Value-for-Money audit of this organization. Such audits look at the efficiency and effectiveness of an entity's operations.

Audit Objective

1.9 The objective of the audit was assess the efficiency and effectiveness of the BCSI's programs.

Scope

1.10 This includes an examination of the entity's financial and governance processes over the period January 2005 to March 2010. It excludes any attempt to issue an audit opinion on the financial statements.

Methodology

1.11 The Audit methodology consists of interviews with Board members and staff of the BCSI and examination of reports and other documentation provided. Interviews were also conducted with officials from the Ministry of Economic Affairs and Investment and the Ministry of Economic Development and International Business.

CHAPTER 2

Company Programmes

Introduction

The BCSI was allocated over BDS\$4.1million to carry out its programs during the five year period under review. These programs included attending trade missions, trade shows, establishing a newspaper, hosting a website and conducting educational seminars. Our audit examined the extent to which the BCSI achieved its objectives from the strategies employed.

Export Promotion

2.2 Export promotion was one of the major strategies pursued by the BCSI to achieve its objective. Part of the strategy used to achieve this objective was the use of trade missions to various countries. A project manager was responsible for this activity.

2.3 These trade missions are used to provide Barbadian service providers with knowledge of export opportunities and for delegations to visit countries and interact with potential clients to procure business.

2.4 The BCSI established performance indicators and set targets to measure its progress and success of its strategies. The performance indicators for the export promotion strategies were as follows:

- Amount of foreign currency generated
- Number of new service exporters as a result of the trade mission
- Number of trade mission applicants per trade mission
- Number of trade mission successes (contracts secured, joint ventures established, franchises established)
- Number of sectors represented at Barbados Manufacturer's Exposition

Selection of Trade Missions

2.5 The criteria used by BCSI to select mission destinations are that the countries have existing trade agreements with Barbados or are members of CARICOM. No evidence was seen that market research was conducted within the membership to determine which countries members were interested in exporting to.

2.6 Up to end of January 2010, THE BCSI had organized ten trade missions to various countries: St. Lucia - St. Vincent, Guyana – Suriname, Martinique, Curacao, United Kingdom, Belize, Bahamas and the Dominican Republic.

Cost of Trade Missions

2.7 Trade missions constitute major expenditure for the BCSI. The expenditure on these trade missions ranged in from \$37,000.00 to \$136,000.00. To date the BCSI has attended Trade Missions and trade shows and hosting these missions and shows have cost the BCSI an amount of \$614,685.00. (See Appendix A)

Trade Mission Reports

2.8 On completion of trade missions, participants were required to prepare a mission report outlining among other matters the:

- Projected earnings in the next twelve and twenty four months and after three years
- Strategic alliances formed

2.9 Reports prepared by the participants were provided by BCSI for seven trade missions. There were ten (10) trade missions, but up to date they were two reports prepared by the Secretariat which were summaries of participants' reports.

Follow-up Reports

2.10 Based on documentary evidence provided By the BCSI, the actual income generated from trade missions over the last five years has been minimal. The income generated from these missions according to this follow-up report was \$54, 000. An example of minimal benefits was the visit to the Bahamas which is highlighted below:-

Bahamas Mission

2.11 A trade mission to the Bahamas was held in November 2008. Eleven companies were originally listed as participants. Two days before the departure date for the mission, BCSI was informed that there was a lack of interest in the Bahamian business community. As a result, participation in the mission was reduced to only two companies.

2.12 This trade mission was carried out prior to any proper market survey to determine the feasibility of the mission. The cost of the mission was \$60,101.29 and the cost of airline tickets \$29,531.48. It is not clear if the BCSI was able to get back a refund from the airline from those persons who withdrew from the mission.

Mission Reports

2.13 The preparation of the initial mission report is commendable as they provide performance information based on activity, but in order to accurately determine the success of a trade mission, follow-up reports should be carried out at intervals. This would allow the Company to measure the outcomes of these activities from trade missions using the objectives and performance indicators established for the purpose. These intervals are set by the BCSI as twelve, twenty four months and three years.

2.14 The absence of comprehensive performance information hindered a thorough analysis of the impact of the trade missions relative to business generated or alliances formed. The failure to prepare follow-up reports has contributed to this situation.

Conclusion

2.15 The selection of mission destinations by BCSI using existing trade agreements with Barbados and membership in CARICOM is adequate. There is a need for more market research to be carried out to obtain information on the business potential in the targeted markets.

2.16 Missions are costly therefore maximum participation and exposure for members of the BCSI should be the goal.

Recommendation

2.17 BCSI should conduct market research of prospective destinations in order to ascertain whether the market would be amenable to the influx of services from Barbados. Conducting market research would reveal the areas of service required in the mission country where the Barbados businesses could be more competitive. This would allow for missions to be better targeted and therefore increase the possibilities for successful business ventures.

2.18 The preparation of follow up reports should be mandatory for BCSI and the mission participants should be mandated to provide the information when due.

Lobby/Advocacy

2.19 The lobbying/Advocacy program has been one of the major strategies pursued by the BCSI during the period under review. The main thrust of the BCSI in pursuing this strategy is to represent the interests of Barbadian service providers by lobbying government for legislative and policy changes. It is hoped that these changes will promote fair rules for trade in services both in the local and international arenas in addition to ensuring that the highest industry standards are met by all Barbadian service providers.

2.20 The BCSI has set indicators of success for these activities and these include:

- Number of member requests for support vis-à-vis government

- Number of requests from government for feedback from the services sector
- Number of pro-active lobbying initiatives undertaken by the BCSI
- Ongoing contact with Cabinet personnel and staff

2.21 During the last five years financial and human resources were allocated to carry out this program which has been assigned to a project officer.

Findings

2.22 A number of activities were identified for participation at the local, regional and international level. In addition, the BCSI lobbied for changes from government, as well as regional and international agencies on the behalf of its members. According to the 2005-6, 2006-7 and 2007-8 annual reports the BCSI has:

1. submitted proposals regarding the Certification of service Providers within the Single Market context;
2. took part in meetings of the Technical Working Group on Services and Investment
3. made submissions for development cooperation,
4. participated in the Global Services Coalition Mission in Geneva,
5. built of database of barriers experienced in services within CSME and possible resolution to these barriers.

Conclusion

2.23 Except for activity based performance information in its annual reports the BCSI has not provided any performance information on the outcomes of its efforts to lobby Government and other international agencies. In addition the BCSI has not indicated what has been the actual cost of these activities. It was therefore not possible to measure the effectiveness of this program.

Recommendation

2.24 The BCSI needs to state the progress it has made over years in lobbying Government for legislative and policy changes and progress it has made in other areas in its reports. In this regards the BCSI needs to have a system where this performance information can be collected and assessed.

Development Program

2.25 The BCSI has pursued strategies to achieve its objectives. One of its major programs has been the provision of development activities to members. This activity includes seminars or workshops to enhance the international competitiveness of Barbadian service providers.

2.26 A project officer has been responsible for implementing its development strategy program during the period under review.

2.27 To measure the success of this development strategy the BCSI established the following performance indicators:

- Number of participants at workshops
- Quantitative feedback on workshop by participants
- Qualitative feedback on results of workshop

Finding

2.28 Over five year period of review the BCSI would have been allocated resources each year to carry out its program for example \$ 160,000.00 in 2008/9 and \$137,500 in 2009/10. According to annual reports the BCSI hosted over twenty development workshops over the past five years. These reports did not provide any information on the activities of this program.

2.29 The reports did not outline the cost of hosting each workshop against the amount budgeted in addition to the number of participants taking part in the workshops.

2.30 Even though the BCSI identified performance indicators to measure the impact of its workshops no performance information was provided to do the assessment against the objectives.

Education of Members

2.31 One of the major strategies pursued by the BCSI was the education of its members. The responsibility for pursuing various strategies in pursuit of this objective has been allocated to a project officer. In this regards the main thrust of the BCSI has been to educate Barbadian service providers on trade in services issue and to inform members on BCSI activities.

2.32 Resources were allocated over the five year period under review to carry out this program which was assigned to a project officer.

2.33 The BCSI pursued various activities to achieve its objective of informing and educating Barbadian service providers. These activities included Website maintenance and Upgrades, Biweekly newspaper Column, Quarterly and Print Newsletter.

2.34 The BCSI established the following performance indicators to measure the success of its strategies pursued:

- Number of web hits
- Number of persons on the distribution list
- Face book updates
- Press releases

2.35 According to annual reports produced by the BCSI, a number of accomplishments were made in education. These included the launching of website to facilitate the establishment of regional coalitions; Facebook group; launched Flying Fish newsletter and continued distribution of electronic newsletters.

2.36 The reports however do not state the number of service providers on the distribution list, the number of requests received, and it does not tell you how many

website hits it received. This would be useful information in assessing the effectiveness of this activity.

The Administrative Unit

2.37 This Unit has accounted generally for the funds expended for salaries, rental of accommodations, utilities and the general day to day management of the BCSI. Based on the minutes seen, the Board was regularly provided with reports by this Unit.

2.38 There were however some concerns over the basis for which some payments were made and a lack of controls in respect of credit card and cell phone usage.

Directors' Stipends

2.39 The By-Laws enacted in 2003 did not provide for the payment of any remuneration to directors. By-Law 9.10 provides for directors to serve without remuneration; provided that a director may be paid or reimbursed for reasonable expenses incurred by him in the performance of his duties.

2.40 These By-Laws were amended at a members meeting in August 2009 where the ratification of the payment of remuneration to the Board was approved. There is no mention in the minutes of the ratification being retroactive. The amended By-Laws now states that directors shall receive a stipend of \$300 which will be based on attendance at meetings and other criteria determined by the Board.

2.41 It should be noted that although the By-Laws were amended in August 2009 to give effect to the payment of \$300.00, directors received the stipend of \$300 per month from April 2008, these payments started 16 months before the amendment was made.

2.42 It should also be noted that from April 2008 to present the President has been receiving a monthly stipend of \$800 for attendance at Board meetings.

2.43 This matter of paying all directors the same stipend was raised at a Board meeting of 26th August 2009. To which the Treasurer acknowledged that the Chairman would receive \$800.00 which is in keeping with Government practice.

2.44 However this is contrary to the By-Laws since no decision was taken by the Board.

Usage of Credit Cards

2.45 The BCSI has made a number of credit cards available to staff as well as board members however no clear guidelines for the use of credit cards for these activities have been provided by the BCSI.

2.46 It was observed that credit cards were used to pay for hotel accommodation, local purchases, computer equipment, overseas training course and on one occasion a cash advance. There is no written policy on how officers allocated credit cards should account for funds expended from travel overseas on company business for example what amounts expended should be supported by invoices.

2.47 No evidence was provided that officers using credit cards on overseas travel produced a statement of expenses for funds on their return home.

Cell Phones

2.48 The BCSI has a Secretariat of four persons however there are currently ten (10) cell phones assigned to the Organization. These phones have been allocated to some members of the board and certain staff in the secretariat. These phones are used for both local and overseas calls.

2.49 There is no policy on the usage of cell-phones owned by BCSI and assigned to the President, Project Manager the Project Officer and Office Administrator. There are no restrictions on the use of these phones for local or overseas calls. The current practice is that the BCSI pays all the charges incurred on each phone.

2.50 The Organization should review the current practice, and set reasonable limits on the amount paid for each phone. There also needs to be sound rationale for providing phone to members of the Board.

Trade Mission Incentives

2.51 The BCSI has instituted an incentive to encourage participants to prepare a mission report by refunding them a portion of their deposit on the submission of a report. These refunds are based on agreed criteria, that is, the Company would have made a contribution to the mission expense and would produce a report on the mission. There were however, instances in which refunds were paid to company representatives who did not produced a report after the trade mission was completed. In addition there were two companies who did not make any contributions but were granted refunds. Examples as follows:

Mission	Company	Participant	Contributions By Participants	Refund Paid
(a) Belize 22-27Mar 2007	Asphalt Processors	Wigginswall,	\$4,000.00	\$1,500.00
	Catalyst Consultants	N.Shorey-Bryan	\$2,500.00	\$1,000.00
(a) UK 31/10/-7/11/2009	Trinity Homes Inc	C Cupples	\$7,500.00	\$1,500.00
(b) Curacao 22/10-27/10/2007	Four Season Colonade	Undine Rouse	\$.00	\$1,000.00
(b) Bahamas 1/11-7/11/2007	Global event Planners	Phillippa Aimey	\$.00	\$500.00

Conclusion

2.52 There is a general lack of accountability at the BCSI for the use of cell phones, and lack of proper controls in the use of credit cards. There is a need for the Organization to establish proper controls with appropriate limits in these areas. In addition before refunds are made the entity being refunded should meet the agreed criteria.

CHAPTER 3

Governance

Introduction

The BCSI governance structure is made up of three main players, the Ministry of Economic Affairs, Board of Directors and the Secretariat. The Ministry sets the general policy and provides funding for the organization.

3.2 The Board of Directors ensures that the Policy direction of the organization reflects that of the general policy set by the Minister. To achieve this the Board receives reports on the performance of the organization.

Staffing

3.3 The organization structure indicates that the Secretariat is headed by an Executive Director however based on the information received, this position has only been filled for six months during the entire existence of the BCSI. There is therefore some uncertainty about how this vacancy impacted on the performance of the organization.

Board Oversight

3.3 The audit sought clarity on the Board's role in approving trade missions and was informed that missions are approved at the stage when the budget is approved.

3.4 It was observed that the trade missions were discussed at Board meetings when the Secretariat report was discussed.

3.5 A number of Directors were employed by the company but there was no evidence that this activity was approved by the Board.

3.6 It should be noted that no evidence was seen that annual budgets were approved by the Board.

Recommendation

3.7 There should be specific Board approval for large expenditures such as trade missions and the payment of consultants. Board approval should also be obtained for financial transactions involving the Board members of the company.

Management Reports

3.8 The Board depends on information in order to make decisions and to perform its supervisory role effectively. This information is usually provided in the form of reports prepared by personnel in the organization. BCSI indicated that the Board required reports from both the Treasurer and the Secretariat.

3.9 Minutes of the Board were received for eighteen (18) meetings during the period 2007 to 2009. Out of the 18 meetings, there were twelve (12) meetings where no evidence was seen of the Treasurer's report being presented or discussed. In most instances the secretariat reports were seen.

Conflict of interest

3.10 Board service in a nonprofit organization carries with it important ethical obligations. In these entities Board members need to avoid conflicts of interest. Under the standards of business conflict, the BCSI addresses the issue of conflict of issues of employees but the issue of conflict of interest for Board members has not been properly addressed.

3.11 By-law 12.4 allows for directors or officers to be employed by or perform services for the Company otherwise than as a director or officer. It states that the fact of his being a director or officer should not prevent such a director or officer from receiving proper remuneration for such services.

3.12 This By-Law should be reviewed since it creates the potential for conflict of interest. A number of persons have been performing dual roles as board members and as employees.

3.13 In October 2005, the BCSI offered a six-month contract of employment to Ms. Lorna Barrow as Executive Director, Strategic Services at a monthly salary of \$7000.00 monthly while she was still a member of the Board.

3.14 A Treasurer was paid \$123,100.00 for the period December 2006 to January 2010 to provide accounting services to the company.

3.15 A Secretary was paid \$51,682.50 for providing professional services to BCSI in the Secretariat for the period December 2006 to February 2008.

3.16 A Director was paid \$14,550.00 for professional services with respect to human resource matters at the BCSI.

Audit Comment

3.17 It would have been expected that approval of the Board for major activities undertaken would have been obtained prior to they being undertaken. There was no evidence that this approval was sought or granted. It is however necessary that the approval of the Board be given for such activities, such as approving of the annual budget and tradeshow. This matter needs to be rectified.

Board Minutes

3.18 By-Law 19.1 states inter alia that any" document or instrument in writing on which the signature of any such officer-President, Secretary- is so reproduced is valid for all intents and purposes date on which such documents or instruments in writing is delivered or issued.

3.19 Minutes of meetings of the Board should be signed off by the President and the Secretary of the Board following a motion being seconded. However during the

period under review the majority of minutes of the Board were not signed by the Secretary or the President.

3.20 In addition, the Board amended the By-laws have not been signed off by the Board.

3.21 This matter raises the question of the validity of the minutes and the By-Laws without the appropriate signatures of the Members of the Board.

Government Representation

3.22 Over the years Government has given considerable finances to the BCSI there has however been no government representative sitting on a Board to represent the Government interest and this action should be reviewed.

Overall Conclusion

3.23 The BCSI has introduced a number of strategies to develop the service industries however in most instances it did not have the systems or information available to assess the effectiveness of these measures. Failure to measure the success or failure of its strategies employed meant that BCSI has not been able to state whether its strategies were an effective and efficient use of its resources.

3.24 The BCSI must improve its reporting of performance information in its annual report by reporting performance information against its objectives. It needs to include more performance information on qualitative and quantitative outcomes performance information is a tool by which stakeholders will be able to gauge the effectiveness of its programs.

Appendix A

Costs of Trade Mission

Costs of Trade Mission			
Information was extracted from Quickbooks			
PRINTOUTS			
Island/Count	\$	Participants	Reports Prepared By BCSI
S t Vincent and St. Lucia	41,708.47	11	Yes
Guyana and Suriname	74,283.41	9	Yes
Dominican Replubic	58,906.44	9	Yes
Curacao	37,948.68	13	No
Martinique	58,587.18		No
Bahamas	60,101.29	2	Yes
Belize	84,607.12	8	Yes
United kingdom	136,503.09	13	Yes
Trade Shows			
Miami 2006	14,503.88		
Miami 2007	18,066.83		
Miami 2008	28,448.67		
	614,685.06		